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Office of Inspector General
Southwest Region

Audit Report

Controls Over Issuance of Appropriated Funds by Delta Regional Authority Fiscal Years 2003-2004

**Audit Report 62099-1-Te
August 2006**



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August 11, 2006

Mr. Pete Johnson
Federal Cochairman
Delta Regional Authority
236 Sharkey Avenue, Suite 400
Clarksdale, Mississippi 38614

SUBJECT: Audit Report 62099-1-Te - Controls Over Issuance of Appropriated Funds by Delta Regional Authority Fiscal Years 2003-2004

Dear Mr. Johnson:

This report presents the results of the subject audit. Your written response dated July 18, 2006, is included in its entirety as exhibit D, with excerpts, and the Office of Inspector General's (OIG) position incorporated into the relevant Findings and Recommendations sections of the report.

Based on your response and our discussion with your staff on July 25, 2006, we reached management decision on Recommendations 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12.

Although we agree with most of the other planned corrective actions, we could not reach management decision on Recommendations 1 and 2. Documentation and actions needed to reach management decisions for these recommendations are described in the OIG Position sections of the report.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementing those recommendations for which management decision has not been reached. Please note that the regulation requires a management decision be reached on all recommendations within 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

Sincerely,

/s/ T. R. Milliken
TIMOTHY R. MILLIKEN
Regional Inspector General
for Audit

Executive Summary

Controls Over Issuance of Appropriated Funds by Delta Regional Authority Fiscal Years 2003-2004 (Audit Report 62099-1-Te)

Results in Brief

Created by the Delta Regional Authority Act of 2000, the Delta Regional Authority (DRA) works to alleviate chronic poverty in Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. In fiscal years (FY) 2003 and 2004, DRA approved a total of \$10.8 million in grants to improve infrastructure, stimulate job growth, and foster economic development in communities throughout this region. At the request of Congress, the Office of Inspector General initiated this audit to determine if DRA has adequate management controls in place to ensure that these grant funds are properly accounted for.

Since its inception, DRA has made significant progress towards establishing and running an effective agency. However, based on our review of 20 of DRA's 115 grants made in FYs 2003 and 2004 (or \$3.1 million of \$10.8 million in total grants for those years), we found that the agency needs to improve its controls for approving grant applications, disbursing grant funds, and monitoring grant projects.¹

DRA Needs to Improve Its Controls for Approving Grant Applications and Disbursing Grant Funds

For the 12 FY 2003 grants reviewed, DRA did not have adequate controls in place to ensure that project coordinators approved only eligible grant applications and disbursed grant funds for allowable, documented, project-related expenses. Because DRA's clarification notes for the grant approval process did not, in FY 2003, specifically state that feasibility studies were not eligible for funding, the agency approved one ineligible grant for \$150,000 to fund a feasibility study. In addition, because DRA lacked, in FY 2003, adequate controls over the disbursement of grant funds, the agency disbursed \$545,437 in grant funds to three grantees without first verifying that the costs were supported with documentation for allowable project-related expenses.

In FY 2004, at the recommendation of external auditors, DRA took steps to improve its controls and implemented several checklists to help its project coordinators approve grant applications and disburse grant funds according to the agency's policies and procedures. We found, however, that these checklists were not always being completed.

¹ See Scope and Methodology for a detailed explanation of how we selected grants for review. Of the 20 grants reviewed, 12 were FY 2003 grants and 8 were FY 2004 grants. Because DRA has an agreement with Rural Development to administer some of these grants, 6 of the 12 FY 2003 grants were administered by Rural Development instead of DRA.

- Of the eight FY 2004 grant files reviewed, four were approved with incomplete checklists. Many of the items on these checklists were not checked and were absent from the file even though they were relevant for determining the grant application's eligibility. For instance, a grant issued to a community in Louisiana lacked documentation concerning whether DRA's Federal cochair had made a final determination on the project's eligibility as well as documentation that the Governor of Louisiana had selected the project.² Both these steps are required before projects can be determined to be eligible.³ Unless DRA consistently completed these checklists, we question whether the agency had adequate controls in place to ensure that the \$220,000 approved for four grantees was used for eligible grant projects.

Of the eight FY 2004 grants reviewed, seven received fund disbursements even though the relevant checklist contained inaccurate information. Unless DRA consistently completes its checklist for disbursing funds, we question whether the agency had adequate controls in place to ensure that \$268,450 disbursed to seven grantees was disbursed for allowable, documented, project-related costs.

DRA Needs to Improve How It Monitors Grants

We also found that DRA was not effectively monitoring grant projects after they were approved and funds were disbursed. As part of its monitoring activities, DRA is required to visit project sites to verify that the grantee has complied with the grant agreement, yet we found that the agency had visited only 2 of 20 FYs 2003 and 2004 grants and lacked procedures for confirming that any problems identified were corrected. A DRA official explained that this had occurred because the agency still was visiting FY 2002 grants and did not have the personnel necessary to visit other grant sites.

Lastly, because DRA's manual spreadsheet for monitoring the receipt of grantees' quarterly reports contained inaccurate information, DRA was unaware that it was receiving few of these reports. Of the 52 quarterly grant project progress reports DRA should have received for FYs 2003 and 2004, 38 (or 72 percent) were missing or late; of the 52 quarterly financial status reports it should have received for FYs 2003 and 2004, 44 (or 85 percent) were missing or late. DRA thus disbursed \$1.2 million in grant funds without being certain that grantees were complying with their grant agreements.

Despite the progress made since DRA's inception, we concluded that the agency needs to improve its controls for approving grant applications, disbursing grant funds, and monitoring grant projects.

² Grant LA-2724.

³ See Background for an explanation of the steps involved in approving grant applications.

Recommendations In Brief

We recommend that DRA

- recover \$150,000 in grant funds issued to the ineligible FY 2003 project;
- require that grantees provide documentation for the three FY 2003 grants totaling \$545,437 disbursed without adequate support;
- improve its checklist procedures for approving grant applications and disbursing grant funds to ensure that all relevant information is properly documented. As part of these procedures, DRA should require that project coordinators sign and date checklists as they complete them, and that second-party reviewers sign and date any checklist they review;
- determine if the four incomplete FY 2004 grant applications approved for \$220,000 were eligible for the grants they received;
- develop and implement procedures for performing site visits, including a schedule for completing as many visits as possible each year and procedures for performing followup activities when problems are identified; and
- develop and implement controls for tracking the receipt of quarterly reports, including a subsystem for verifying the data's accuracy and another subsystem for alerting officials to missing reports.

Agency Response

In its response dated July 18, 2006, DRA officials generally agreed with OIG's recommendations and have completed or begun implementing 11 of the 12 recommendations in the report.

DRA is in the process of acquiring and reviewing documentation to support fund disbursements for three 2003 grants, reviewed and revised its current system of checklists, reaffirmed with its personnel and amended its policy that all relevant documentation be obtained for each grant prior to signing the grant agreement and disbursement of grant funds, and amended its checklists for project coordinators and supervisors to sign and date each as completed.

DRA has confirmed four incomplete FY 2004 applications were eligible for the grants they received, developed and implemented written procedures for performing site visits of grant projects as well as a schedule to complete the

- site visits, and implemented procedures to follow up on problems identified during a site visit. DRA has implemented procedures to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees. DRA also has implemented procedures and a timeline for requesting submission of late quarterly reports from both grantees and administering agencies and the withholding of payments to grantees in violation of grant conditions.

DRA disagreed with the recommendation to recover the grant funds issued to a FY 2003 grantee for a feasibility study. DRA contends that the grant was eligible under the Delta Regional Authority Act of 2000 provision of business development, with emphasis on entrepreneurship and that the act does not preclude feasibility studies. DRA's written response is included as exhibit D of the report.

OIG Position

We generally concur with DRA's response for 11 of the 12 recommendations in the report and reached management decision on 10 recommendations. Actions necessary to reach management decision on the remaining recommendations are discussed in the Findings and Recommendations sections of the report.

DRA stated that a FY 2003 grant for a feasibility study was eligible under the Delta Regional Authority Act of 2000 provision of business development, with emphasis on entrepreneurship and that the act does not preclude feasibility studies. DRA approved the grant to finance a feasibility study to determine the potential commercial uses of digital imaging technology. We believe the feasibility study was not eligible under the provision of business development with emphasis on entrepreneurship nor was it eligible under any other provision of the act. The project could have received DRA funds to open a digital imaging center only after the feasibility study had proven that the commercial uses of digital imaging technology could be a sustainable, viable business concern. We believe that a feasibility study in itself does not meet DRA's mission to help alleviate severe and chronic economic distress in the lower Mississippi Region. This issue has been submitted to OIG's Chief Counsel for a legal review and determination.

Abbreviations Used in This Report

DRA	Delta Regional Authority
FY	Fiscal Year
GAO	Government Accountability Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
USDA	United States Department of Agriculture

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Background and Objective

Background

Created by the Delta Regional Authority Act of 2000, the Delta Regional Authority (DRA) works to remedy severe and chronic economic distress in the lower Mississippi Region. Currently, the eight State members of DRA are Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. By providing grants to local projects, DRA helps economically distressed communities develop infrastructure, improve transportation, encourage businesses, and train workers for jobs.

The Delta Regional Authority Act of 2000 allowed \$30 million to be made available for these grants each fiscal year (FY) until 2007. In FY 2003, Congress appropriated \$8 million in funds, along with \$2 million in funds from the U.S. Department of Agriculture's (USDA), Rural Development.⁴ In FY 2004, Congress appropriated \$5 million through the Energy and Water Development Act,⁵ \$1.75 million from Rural Development, and \$3.45 million from the Rural Business-Cooperative Service.⁶

DRA's Organization

DRA is governed by a board consisting of a Federal cochairman (appointed by the President of the United States) and the governors of the eight participating States. After DRA's employees determine that grantees' preapplications are eligible, they forward those applications to the governors of the eight member States, and the governors then provide DRA with a list of the projects they wish to see funded. Prior to the grantee receiving any funding, however, all board members vote to approve all projects.

Because DRA functions as a partnership with other agencies, it coordinates with each State's Department of Economic Development and local development districts. In addition, DRA collaborates with Federal agencies, including USDA's Rural Development.

DRA's Grant Approval Process

DRA's grant approval process involves four stages: a preapplication, governor selection, a full application, and a DRA board vote. Local development districts send grant project preapplications to DRA, including a short grant request form and a proposed budget. After being logged in, preapplications are reviewed by a project coordinator who determines if the project is compatible with DRA's mission and with the State's plans for the counties in question. Eligible projects are then forwarded to DRA's Director

⁴ Public Law 108-7, Consolidated Appropriations Act of 2003, dated February 20, 2003.

⁵ Public Law 108-137, Energy and Water Development Act of 2004, dated December 1, 2003.

⁶ Public Law 108-199, Consolidated Appropriations Act of 2004, dated January 23, 2004.

- of Federal Programs, who either concurs with the project coordinator's decision or requests further review. The Federal cochairman then reviews the preapplication packet and makes the final DRA decision on preapplication eligibility.

Once DRA concludes that a preapplication is eligible, the agency informs the grantee of the decision, and also forwards a list of proposed projects to the governor of each State. The governors then choose the projects they would like to see funded in their States and decide the appropriate amount of funding. Only after the governors have reached their decision does DRA send grantees an invitation to submit a full application. Once the projects are chosen and full applications have been received, projects go before DRA's board of directors for a vote. DRA approves and funds grants unanimously selected by the board.

In September 2004, the Office of Inspector General's (OIG) Southeast Region issued Audit Report 62099-1-At, "Delta Regional Authority, Fiscal Years 2001-2003," which found that DRA provided funds for questionable or unsupported costs and that DRA needed to improve how it monitored grant projects and tracked the receipt of reports. In order to reach management decision on the findings concerning questionable and unsupported costs, DRA agreed to request reimbursement from the grantees, and has received funds totaling \$14,332 for two of the three questioned grants. DRA continues to work to recover \$300,000 in questionable costs for the third grant. In order to reach management decision on the finding concerning monitoring and report tracking, DRA hired a Director of Federal Programs to oversee the grants, as well as two project coordinators to assist him; instituted procedures to ensure that administering agencies are fulfilling their monitoring duties by requiring those agencies to submit weekly grant summary reports; and required all administering agencies to provide DRA with grantees' quarterly reports. This OIG report also noted that DRA had not taken the steps necessary to comply with the Accountability of Tax Dollars Act of 2002. This act extended to DRA a requirement to prepare and submit to Congress and the Director of the Office of Management and Budget (OMB) an audited financial statement beginning with the FY 2002 cycle. Although OMB waived the requirement for FY 2002, OIG recommended that DRA meet the financial statement preparation and audit requirements of the Accountability of Tax Dollars Act of 2002 for FYs 2003 and 2004. DRA responded that it was in compliance with the act and had contracted with a local certified public accountant's firm to perform the audits.

Objective

The objective of this audit was to determine if management controls were in place to ensure funds appropriated by Congress were properly accounted for.

Findings and Recommendations

Section 1. DRA Needs to Improve Its Controls for Approving Grant Applications and Disbursing Grant Funds

Based on our review of 20 FYs 2003 and 2004 grants, we found that DRA needs to improve its controls both for approving grant applications and disbursing grant funds. DRA lacked controls for approving applications and disbursing funds in FY 2003, but in FY 2004 it responded to external auditors' recommendations by implementing controls. We found, however, that these newly implemented controls had not been consistently applied for approving and disbursing funds for FY 2004 grants.

In FY 2003, DRA did not have adequate controls in place to ensure that it approved only eligible grant applications and disbursed grant funds only for approved purposes. Because DRA's clarification notes for the grant approval process did not specifically state that feasibility studies were ineligible, DRA issued one \$150,000 grant for an ineligible feasible study. In addition, because it lacked controls to confirm that documentation of allowable expenses was received prior to disbursing funds, DRA disbursed \$542,367 in funds to three FY 2003 grantees without supporting documentation.

In FY 2004, DRA took the important step of implementing controls—in the form of checklists—over the process for approving grant applications and disbursing grant funds. We found, however, that these checklists had not been used consistently for seven of the eight FY 2004 grants reviewed. Of these eight approved FY 2004 grant applications, four were approved for \$220,000 even though their checklists were incomplete. Additionally, DRA disbursed a total of \$268,450 to seven approved FY 2004 grants even though its newly implemented checklist for disbursing funds contained inaccurate data.

Finding 1

DRA Approved an Ineligible Grant for a Feasibility Study

Of the 20 grants reviewed, we found that DRA approved 1 ineligible grant in FY 2003 for a feasibility study investigating the potential commercial uses of digital technology.⁷ This occurred because the clarification notes DRA issued in FY 2003 did not explicitly state that a feasibility study was ineligible. As a result, DRA issued \$150,000 in grant funds to an ineligible project.

⁷ Grant MS-2449.

- Federal regulations require that DRA issue grants to improve communities' infrastructure, create or retain jobs, provide employment-related education, or create or retain businesses.⁸ Based on these regulations, DRA issued clarification notes to standardize the grant approval process, and included those notes in the application package distributed to potential applicants. In FY 2003, DRA's clarification notes specified that eligible projects must demonstrate that they will create or retain jobs, provide job training or employment-related education for a specific employer to fill immediate job openings, or create or retain new businesses in local communities.

All of these requirements imply that projects must be feasible to be considered eligible for a DRA grant. If the grantee has not shown that a project is feasible, then the project cannot be considered to have a demonstrable effect on employment or businesses. Thus, grantees should be performing feasibility studies prior to applying for grants and not as part of the grant itself. In other words, DRA should not be approving grants for projects whose feasibility has not already been demonstrated.

We found, however, that in FY 2003, DRA issued \$150,000 in grant funds for a feasibility study investigating the potential commercial uses of digital technology. According to regulations⁹ and to DRA's clarification notes, this grant should have been judged ineligible.

After we discussed this problem with DRA, officials took steps to improve how their clarification notes dealt with this issue. For the FY 2006 grant cycle, they revised their clarification notes to explicitly state that feasibility studies will not be deemed eligible.

We concluded that this project was ineligible according to DRA's FY 2003 clarification notes and should not have received grant funds.

Recommendation 1

Recover \$150,000 in grant funds issued to the ineligible FY 2003 project.

Agency Response.

DRA disagrees with this recommendation. DRA responded in part that, under the Delta Regional Authority Act of 2000, the appropriated Federal funds available are to be focused on four activities, one of which is "business development, with emphasis on entrepreneurship." The feasibility study fell within this activity, and the Delta Regional Authority Act of 2000 does not preclude such studies. The feasibility study neatly fits within one of the four

⁸ Public Law 106-554, section 382C(a)(2), dated December 21, 2000. United States Code 2009aa-2(a)(2), dated March 25, 2004.

⁹ Public Law 106-554, section 382C(a)(2), dated December 21, 2000. United States Code 2009aa-2(a)(2), dated March 25, 2004.

- activities DRA is focused upon, and the lack of language in the act forbidding such acts certainly indicates eligibility.

The DRA 2003 Federal Grant Program Eligibility Clarification Notes did not prohibit feasibility studies. Specifically, “Workforce and Business Development” includes approval of projects that “demonstrate job-creation.” The feasibility study in question resulted in the direct hiring of two Ph.D. professors and will result in further job creation and retention. “Business development” also found in the notes allows for the eligibility of projects when they include “entrepreneurship, the creation of new businesses or the retention or expansion of existing businesses in the local communities.” Also, DRA stated that eligibility is supported by the fact that similar agencies (Appalachian Regional Commission and Denali Commission) fund feasibility studies.

By contrast, the DRA 2004 Federal Grant Program Eligibility Clarification Notes contained “sustainability” language. This language required grantees to exhibit a plan that included “all costs associated with management, operation, and maintenance necessary to maintain an acceptable level of service.” Under this language, DRA recognizes that the grant may not have been eligible, but such language did not apply to the 2003 grants program. Not until FY 2006 did DRA make the decision not to continue to fund feasibility studies due to OIG’s opinion given in this report that feasibility studies do not result in direct job creation or retention.

OIG Position.

We cannot accept management decision for this recommendation. We are of the opinion that feasibility studies were ineligible ever since the initial implementation of the Delta Regional Authority Act of 2000. To reach management decision, we have forwarded a copy of DRA’s response and our report to OIG’s legal staff for a legal opinion to determine whether grants for feasibility studies are eligible for funding by DRA.

Finding 2

DRA Disbursed Grant Funds Without Documentation

Of 14 FYs 2003 and 2004 grants that DRA disbursed funds to and we reviewed,¹⁰ we found that grant files did not contain adequate documentation to support 3 FY 2003 disbursements. This occurred because, in FY 2003, DRA did not have a control in place to review the documentation grantees

¹⁰ From our original sample of 20 FYs 2003 and 2004 grants, we subtracted the 6 grants that Rural Development was administering based on its memorandum of agreement with DRA. For these six grants, all funds were transferred to Rural Development at the beginning of the grant cycle, and Rural Development had the responsibility for making (and documenting) disbursements to these grantees.

- submitted with their requests for funds and verify that this documentation supported allowable, project-related costs. Without this documentation, DRA cannot be certain that \$545,437 in grant funds spent for these three projects was used for approved purposes.

OMB requires that grantees receiving Federal funds must adequately document allowable expenses.¹¹

We found, however, that DRA disbursed funds to three FY 2003 grantees without documentation that the grantees had, in fact, incurred these costs (see table 1, below). In each instance, the project coordinator reviewing the request for disbursement did not verify that the grantee submitted supporting documentation.

Table 1: Disbursements Made Without Supporting Documentation

Grant Number	Date of Disbursement	Amount of Disbursement
AL-2155	10/24/03	\$250,000
AL-2300	02/05/04	145,437
LA-2179	02/01/05	150,000
TOTAL		\$545,437

Although DRA lacked a control for verifying that this documentation was present in FY 2003, DRA used a “Request for Advance/Reimbursement Review Checklist” for verifying this documentation for FY 2004 grants. This checklist requires that project coordinators verify that grantees have submitted bills they are obliged to pay as documentation for receiving grant funds (see Finding 3 for a discussion of this checklist and how it has been implemented). We did not find that DRA disbursed grant funds without proper documentation for any FY 2004 grant in our sample.

When we discussed this problem with officials at DRA, they agreed that these grant funds should not have been disbursed without supporting documentation and took steps to request this documentation from the three FY 2003 grantees.

Recommendation 2

Require that the three FY 2003 grantees receiving disbursements totaling \$545,437 provide documentation supporting their use of grant funds. If grantees do not provide adequate documentation of allowable expenses, initiate action to recover these funds.

¹¹ OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments,” dated August 29, 1997.

• **Agency Response.**

DRA stated that, upon review of FYs 2003–2004 grants, three 2003 grants included disbursements that did not contain adequate documentation. This documentation has been acquired, and disbursements have been confirmed to be proper for two of the three grants. The third grant, LA-2179, is currently being reviewed to determine whether the disbursements were, in fact, proper.

OIG Position.

We cannot accept management decision until we receive confirmation of the results of DRA's determination that disbursements were proper for grant LA-2179. To reach management decision on this recommendation, DRA needs to provide the results of its review for grant LA-2179.

Finding 3

Controls for Approving Grant Applications and Disbursing Grant Funds Need Improvement

Although DRA implemented several checklists as management controls for its FY 2004 grant processing cycle—including both approving grants and disbursing funds after approval—we found that those checklists had not been used consistently for seven of the eight FY 2004 grants we reviewed. This occurred because DRA had not established procedures for implementing controls to maintain accountability, including requiring project coordinators and reviewing officials to sign and date checklists as they complete them. As a result, DRA approved four grants for \$220,000 without being certain that all grant eligibility requirements had been met, then disbursed \$268,450 for seven grantees who did not timely submit required quarterly progress and financial status reports (see table 2, below).

The Government Accountability Office (GAO) sets standards for the establishment and maintenance of agencies' management control systems.¹² These standards state that agencies should establish appropriate documentation for internal controls, such as management directives, administrative policies, or operating manuals.

To document its grant approval and disbursement cycle, in FY 2004, DRA implemented several checklists to be used while reviewing grant applications, at grant signing, and for approving disbursements to grantees: (1) the "DRA 2004 Federal Grant Program Procedures Checklist," used to track the grant from preapplication through final payment and final narrative report; (2) the "DRA Grant Checklist," used to list documents required at

¹² GAO, *Standards for Internal Control in the Federal Government*, Control Activities Section, dated November 1999.

- grant signing; (3) an optional “Checklist for Additional Documents Required for Grant Signing,” and (4) the “Request for Advance/Reimbursement Checklist,” used to process grantees’ requests for disbursement of grant funds. Though the second checklist—the “DRA Grant Checklist”—was developed in 2004, it was not implemented until 2005. Thus, we did not evaluate how DRA was using this checklist as part of this review.

For seven of the eight FY 2004 grants reviewed, however, we found that these checklists were not being used consistently. We noted 11 instances in which checklists in these 7 grant files were either incomplete or inaccurate (see table 2, below). Without completing these forms accurately, DRA lacked adequate management controls over the grant approval process and the disbursement of funds to approved grantees, and cannot be certain that grantees are complying with all grant requirements.

Table 2: FY 2004 Grant Files with Incomplete and Inaccurate Checklists

APPROVAL PROCESS				DISBURSAL PROCESS	
FY 2004 Grants Reviewed	DRA 2004 Federal Grant Program Procedures Checklist	Additional Documentation Requested at Document Signing Checklist	Grant Funds Approved	Request for Advance/Reimbursement Review Checklist	Grant Funds Disbursed
AL-2656	N/A	N/A	N/A	Inaccurate*	\$ 8,640
AR-2677	N/A	Incomplete	\$150,000	Inaccurate*	150,000
KY-2653	Incomplete	N/A	25,000	Inaccurate*	25,000
LA-2619	Incomplete	N/A	20,000	Inaccurate*	20,000
LA-2724	Incomplete	N/A	25,000	Inaccurate*	25,000
TN-2644	N/A	N/A	N/A	Inaccurate**	26,170
TN-2649	N/A	N/A	N/A	Inaccurate*	13,640
TOTAL ERRORS	3	1	\$220,000	7	\$268,450

* The checklist is in the file; however, it inaccurately states that the grantee’s reports have been turned in on time.

** There were five checklists in the file for five payments. All five inaccurately stated that the grantees’ reports had been turned in on time, when they had not.

“DRA 2004 Federal Grant Program Procedures Checklist” Incomplete

For three of the eight FY 2004 grants reviewed, we found that DRA approved grant applications even though the “DRA 2004 Federal Grant Program Procedures Checklist” was incomplete. For example, the checklist for grant LA-2724 did not indicate whether reviewing officials had requested the “status of all other funding sources,” whether the Federal cochairman had determined the grant’s eligibility, or if Louisiana’s governor had selected and recommended the project. Without completing these steps, DRA cannot be certain that grant applications meet the agency’s eligibility requirements.

- Moreover, in each of these three cases, our review found that some items were not checked on the checklist and also were absent from the grant file. Since DRA developed this checklist as a way of determining applicants' eligibility, we question whether grants should be approved when the applications lack many important items. Of the 17 items on this checklist, for instance, grant LA-2724 had only 3 items checked. Of the 14 items not checked, 6 were in the file and should have been marked on the checklist. There was no evidence that DRA had completed any of the remaining eight unmarked items. We question the eligibility of this grant because these unmarked items included items such as "Requested status of all other funding sources," "Federal cochairman determines eligibility or ineligibility on DRA pre-app cover sheet," and "State governor's office selects projects and recommends amount of funding. Letter attached to preapplication." If these items were not present and their absence was not explained, then the grant should not have been approved.

"Additional Documentation Requested at Document Signing Checklist"
Incomplete

For one of the eight FY 2004 grants reviewed, DRA approved and signed a grant application even though the optional "Additional Documentation Requested at Document Signing Checklist" was left incomplete in the file. DRA determined that grant AR-2677 needed additional documentation before the grant agreement was signed, including "Title opinion water well location," "Resolution for Mayor to sign DRA documents," and "Commitments for EDA [Economic Development Administration]." Although the last two items were dated as received on January 18, 2005, the title opinion was never dated as received, and the checklist thus remained incomplete.

When we reviewed the grant file, we found that the title opinion was not present; at our request, DRA officials then obtained a copy of the title opinion with the East Arkansas Planning and Development District. Although the grant was signed on November 29, 2004, the title opinion was dated April 28, 2005 (the other two documents on this checklist also were dated as received January 18, 2005). DRA thus signed this grant agreement before it was certain that the title opinion was in order, and did not obtain a copy for its files. Because the memorandum of agreement DRA signed with the grantee required that the title be in the clear, we question whether the agency should have signed this agreement until it had obtained the title opinion.

We also noted that the mayor for the city that received grant AR-2677 signed the grant agreement on November 29, 2004, even though the resolution from the community's city council authorizing the mayor to do so was not signed until December 27, 2004, and was not dated as received by DRA until January 18, 2005. We thus question whether the mayor had the authority to sign the grant documents on November 29, 2004. Instead of allowing such

- documents to be received after the grant is signed, DRA should use this checklist to verify that important documents are received prior to signing the agreement.

“Request for Advance/Reimbursement Review Checklist” Inaccurate

For seven of the eight FY 2004 grants reviewed, DRA disbursed grant funds even though its checklist contained inaccurate information. We noted that DRA project coordinators who completed the “Request for Advance/Reimbursement Review Checklist” responded positively to the question, “Is the grantee current on quarterly reports?” However, they based their answers on DRA’s manual tracking spreadsheet, which contained erroneous information. In fact, these seven grantees were not current and, in some cases, were missing several of their required quarterly performance and quarterly financial status reports (see Finding 5 for a more detailed discussion of this problem). Without these reports, DRA could not be certain that grantees were fulfilling their grant agreements and should not have disbursed \$268,450 in grant funds.

Additionally, of these four types of checklists, only the “Request for Advance/Reimbursement Checklist” requires the project coordinator completing it to sign and date the document. In FY 2003, external auditors recommended that DRA develop checklists with space for project coordinators to sign and date each item as they completed it. Although DRA agreed to this recommendation, we found that the agency had not included spaces for signatures and dates. Without the project coordinator’s dated signature, DRA lacks full accountability over its grant decision-making process. Moreover, we also noted that when DRA’s supervisor conducts a second-party review, there is no space for the supervisor to sign and date the form.

Finally, we are concerned that DRA’s system of checklists may be too complicated. In 2006, DRA added a fifth checklist—“Application Checklist for Application Review.” Unless this checklist will incorporate some items from other checklists or will replace other checklists entirely, DRA may be generating more work than its limited personnel can realistically accomplish. We maintain that DRA should review its documentation for the grant cycle to ascertain if its checklists can be simplified and thereby made more effective.

We concluded that DRA should improve its controls for the grant decision-making process by determining what documentation is necessary, and then instituting procedures to ensure that this documentation is complete and accurate for every grant.

Recommendation 3

Review its current system of checklists for approving grant applications and disbursing grant funds to determine if all checklists are necessary, or if several might be combined.

Agency Response.

DRA stated that it has reviewed its current system of checklists and has revised its use. DRA has decided to forgo the use of the checklist for additional documents required for grant signing and will instead refer to the correspondence from the Director of Federal Programs to the grantees informing them of the additional documentation required by DRA's General Counsel. The project coordinator will initial and date the items requested in the correspondence as it arrives. No Federal funds will be disbursed until each item is satisfied. DRA deemed the other checklists as vital in the grants program.

OIG Position.

We accept management decision for Recommendation 3.

Recommendation 4

Develop and implement procedures to ensure that all relevant documentation is obtained for each grant prior to signing the grant agreement and disbursing funds.

Agency Response.

DRA stated that it had reaffirmed with its personnel its procedure that all relevant documentation is obtained prior to signing the grant agreement. The Director of Federal Programs, with assistance from DRA's General Counsel, will mail a letter to grantees whereby the grant requires additional documentation not listed on the "Additional Documentation Request at Document Signing Checklist." DRA amended its *Policies and Procedures Manual* for the Federal Grants Program to include language that does not allow disbursement of any funds until the documentation listed in the correspondence has been received.

OIG Position.

We accept management decision for Recommendation 4.

Recommendation 5

Revise each checklist to include a space for the project coordinator to sign and date each item, and an additional space for supervisors to sign and date the checklist when performing second-party reviews.

Agency Response.

DRA stated that checklists now have spaces for project coordinators to sign and date each as completed. Also, space has been added for supervisors to sign and date the checklists when performing second-party reviews.

OIG Position.

We accept management decision for Recommendation 5.

Recommendation 6

Review the four FY 2004 grants approved with incomplete eligibility checklists to determine if they were, in fact, eligible to receive grants funds.

Agency Response.

DRA stated that the Director of Federal Programs has reconfirmed that the items required to result in grant approval have all been obtained and placed in the respective files. As such, no Federal funds were disbursed to ineligible grantees.

OIG Position.

We accept management decision for Recommendation 6.

Section 2. DRA Needs to Improve How It Monitors Grant Projects

After grant applications have been approved and funds disbursed, DRA is responsible for monitoring¹³ grant projects, including performing site visits and receiving grantees' quarterly project progress and financial status reports. We found that DRA needs to improve how it performs these two monitoring functions.

- Although agency officials had performed site visits for 32 percent of FY 2002 grants, they had visited only 2 of the 20 FYs 2003 and 2004 approved grant projects in our sample.
- In addition, DRA was not receiving many of grantees' quarterly project progress and financial status reports. For FYs 2003 and 2004, 73 percent (38 of 52) of grantees' project progress reports were late or missing from grantees' files, and 85 percent (41 of 52) of grantees' financial status reports were missing or late.

Since site visits and the timely receipt of quarterly reports are DRA's best controls for ensuring that grantees comply with their grant agreements, the agency needs to take steps to ensure that these controls are working as designed and providing adequate oversight of grant funds.

Finding 4

DRA Needs to Improve Its Procedures for Performing Site Visits to Grantees

Of 20 FYs 2003 and 2004 grants reviewed, DRA had performed site visits for only 2 projects, and was not being kept up to date on other administrative agencies' monitoring activities. This occurred because DRA had not developed and implemented consistent procedures for performing site visits to monitor grant projects and did not require Rural Development to perform site visits and submit reports to DRA for those grants it administered. Without performing these visits, DRA cannot be certain that \$4.4 million in disbursed grant funds¹⁴ was used for approved purposes.

GAO lists monitoring as one of the five standards for internal control.¹⁵ This standard stipulates that internal controls should be designed to assure that ongoing monitoring occurs in the course of normal operations, that

¹³ Monitoring includes all of the activities designed to ensure that grant funds are used as intended in the grant agreement.

¹⁴ As of August 1, 2005, DRA had approved FYs 2003 and 2004 grants totaling \$10.8 million, but only disbursed \$4.4 million.

¹⁵ GAO, *Standards for Internal Control in the Federal Government*, Monitoring Section, dated November 1999.

- monitoring be performed continually and be ingrained in the agency's operations, and that it include regular management and supervisory activities.

Given its limited resources, DRA signed a memorandum of agreement with Rural Development to administer some of these grants. Of the 12 sampled FY 2003 grants, Rural Development administered 6, but of the 8 sampled FY 2004 grants, Rural Development did not administer any. Although Rural Development is responsible for important administrative tasks, the agreement between DRA and Rural Development does not mention site visits, which DRA remains responsible for performing, nor does it require that Rural Development report its monitoring activities to DRA.

We found, however, that DRA did not have procedures in place for performing site visits. Although DRA officials informed OIG that they had visited 30 of 94, or 32 percent, of FY 2002 grantees, DRA had only visited 2 of the 20 projects we sampled from FYs 2003 and 2004. When we spoke to DRA's Director of Federal Programs about this problem, he agreed that DRA had not monitored the projects in our sample, except on a very limited basis. Due to the agency's limited personnel, he explained that DRA had been working to complete site visits to FY 2002 grant projects and then would move on to FYs 2003 and 2004 grant projects. While it is commendable that DRA was attempting to complete site visits to every FY 2002 project, we maintain that the agency could better allocate its resources by performing fewer visits per grant year, but completing them in a timelier manner, as the current system is creating a backlog of unvisited grant projects.

We also reviewed grant files to determine if Rural Development was informing DRA of its monitoring activities of grant projects. Although Rural Development is responsible for important administrative tasks relating to grant servicing, we found that Rural Development was not required to keep DRA up to date on its site visit activities or provide documentation on any site visit it performed. We discussed this problem with DRA officials and they stated that in future agreements DRA would require Rural Development to perform site visits and file written reports on each visit.

Finally, we noted that DRA did not have procedures in place to notify grant recipients of the results of site visits or to schedule followup activities to verify that any problems are corrected. The two visits that were performed for FYs 2003 and 2004 grants did find a few minor problems; however, we found no documentation to indicate that any followup activity had been performed to verify that these issues were corrected. When we discussed this problem with DRA officials, they took corrective action by developing and implementing a form to be completed by project coordinators when they visit project sites.

- We concluded that DRA should develop and implement procedures for performing site visits to grant projects in a timely fashion, for informing grantees of any problems identified, and for scheduling followup activities to verify that those problems are corrected. So that the agency is aware of how other agencies are monitoring these grants, DRA should require that other administering agencies provide reports of their monitoring activities. To reduce the current backlog, DRA should develop a schedule of sites to visit each grant year, taking into consideration its limited personnel as well as documented monitoring by other agencies.

Recommendation 7

Develop and implement written procedures for performing site visits of grant projects, including a schedule to perform as many site visits as practicable during each grant year. Those schedules should prioritize grants for review based on factors such as the amount of the grant, as well as grantees' failure to timely submit required quarterly progress and financial status reports.

Agency Response.

DRA stated that they will conduct 4 site visits per month for a total of 48 per year for each fiscal year. Site visits will be conducted of all projects that are in the top 33 percent by DRA dollar amount. Site visits will be conducted on the remaining projects as chosen by the Director of Federal Programs with an emphasis placed on those projects that are untimely with reports and have other potential compliance issues. This new policy has been added to DRA's *Policies and Procedures Manual* for the Federal Grants Program.

OIG Position.

We accept management decision for Recommendation 7.

Recommendation 8

Develop and implement procedures for communicating the results of site visits to the grantee and conducting followup activities to verify that any problems are corrected.

Agency Response.

DRA stated that it has implemented procedures of how site visits are to be completed and grant recipients are notified of the results of site visits. DRA personnel will review all documentation dealing with the grant, including accounting documents. Upon arrival, all those involved in the site visit will execute a sign-in sheet. Upon completion, DRA personnel will complete the "DRA Site Visit Compliance Review" form, which will then be reviewed

- and approved by the Director of Federal Programs. Following this review, the results of the site will be mailed the “DRA Site Visit Compliance Review – Follow-up Items” which will set a date for compliance. The administering agency shall be copied with this correspondence. This new policy has been added to DRA’s *Policies and Procedures Manual* for the Federal Grants Program.

OIG Position.

We accept management decision for Recommendation 8.

Recommendation 9

In future interagency administration agreements, require the administering agency to perform site visits and report the results to DRA.

Agency Response.

DRA stated that it does not think it prudent to require the administering agencies to perform site visits and report results to DRA at this time. Rather, DRA wishes to implement the new procedures for site visits and then evaluate the results. However, to the extent Rural Development makes site visits, DRA officials will request reports from it in the future.

OIG Position.

We accept management decision for Recommendation 9.

Finding 5

DRA Needs to Improve Its Controls for Tracking Quarterly Reports

Of the 14 FYs 2003 and 2004 grantees reviewed,¹⁶ 12 received funds when their quarterly progress and quarterly financial reports were not up to date. This occurred because DRA officials believed that the manual spreadsheet they were using to track these reports contained accurate information and was serving as an adequate control. In fact, however, some of the information this spreadsheet contained was inaccurate. Due to this control weakness, DRA approved \$1.2 million in grant funds for disbursement even though grantees had not complied with the reporting requirements in their grant agreements. (See [exhibit B](#) for a grant-by-grant explanation of this sum.)

¹⁶ As explained in Finding 4, DRA shares administrative responsibilities for some grants with Rural Development. Because Rural Development should be receiving quarterly reports directly from 6 of the 20 grantees we reviewed, we excluded them from this sample.

OMB requires that grantees report their financial status and program performance at intervals determined by the awarding agency.¹⁷ DRA has determined that grantees will submit both reports quarterly, and that they will both be due 15 days after the end of the calendar quarter. In FY 2004, DRA implemented the "Request for Advance/Reimbursement Review Checklist" as a control requiring project coordinators to verify that grantees are current with these reports before disbursing funds.

Although project coordinators attempted to verify that grantees were up to date with their reports prior to disbursing funds, they were hindered because DRA's manual spreadsheet contained inaccurate information, and sometimes indicated that reports had been received when they had not (i.e., dates were recorded for reports that had not been received). In essence, there were three problems: (1) DRA was receiving few quarterly reports, (2) DRA was not aware it was receiving so few reports because its spreadsheet contained inaccurate information, and (3) when project coordinators attempted to verify that grantees were up to date, they relied on this inaccurate spreadsheet and thus treated grantees as up to date when they were not.

We found that, of the 52 quarterly progress reports required in FYs 2003 and 2004, 32 were missing from the grant files, and 6 were received late (see table 3, below).

Table 3: FYs 2003 and 2004 Progress Reports Missing or Late

	Total Progress Reports Required	Progress Reports Late	Progress Reports Missing	Percentage Missing or Late
FY 2003 Grants	32	3	21	75
FY 2004 Grants	20	3	11	70
TOTAL	52	6	32	73

Of the 52 quarterly financial reports required in FYs 2003 and 2004, 41 were missing, and 3 were received late (see table 4, below).

¹⁷ OMB Circular A-110.50-110.52, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," revised November 19, 1993, as further amended September 30, 1999. OMB Circular A-102(2)(c), "Grants and Cooperative Agreements with State and Local Governments," revised October 7, 1994, as further amended August 29, 1997.

Table 4: FYs 2003 and 2004 Financial Status Reports Missing or Late

	Total Financial Reports Required	Financial Reports Late	Financial Reports Missing	Percentage Missing or Late
FY 2003 Grants	32	1	26	84
FY 2004 Grants	20	2	15	85
TOTAL	52	3	41	85

([Exhibit C](#) presents this material more fully, on a grant-by-grant basis.)

Although project coordinators attempted to verify that grantees had turned in their reports, DRA was manually tracking the reports it received on a spreadsheet, and the information on this spreadsheet was not always correct. We found that five reports were marked on the spreadsheet as received when they were not in the grant file.¹⁸ When we discussed this problem with the DRA official responsible for maintaining the spreadsheet, the official could not explain the inaccuracies.

As previously mentioned in Finding 3, we also noticed that, in 11 instances on 7 FY 2004 grants, project coordinators approved disbursements for projects when quarterly reports were missing from the grant file. Although these project coordinators responded positively to the question “Is the grantee current on quarterly reports?” on DRA’s “Request for Advance/Reimbursement Review Checklist,” the reports were not in the grant file. In six instances, this occurred because project coordinators were relying on inaccurate information in the spreadsheet;¹⁹ in the other five instances, coordinators may have been working from inaccurate information in the spreadsheet, but because the spreadsheet had been periodically updated as part of routine operations, we could not determine exactly how the error was made. Since the checklist also notes that “grantees must be current [with these reports] before proceeding with the request,” DRA should not have granted these requests for disbursement unless the reports were in the file.

While OMB allows awarding agencies to withhold grant funds if grantees fail to comply with all grant requirements,²⁰ DRA did not request that these reports be submitted, or impose sanctions for noncompliance, because it was unaware that they had not been submitted.

¹⁸ Grants AR-2336, KY-2555, TN-2226, AL-2656, and TN-2644.

¹⁹ Grants AL-2656 and TN-2644. In grant TN-2644’s case, the project coordinator used incorrect information on the spreadsheet on five occasions when completing DRA’s “Request for Advance/Reimbursement Review Checklist.”

²⁰ OMB Circular A-110.22(h)(1), “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” revised November 19, 1993, as further amended September 30, 1999.

- We also noted five FY 2003 grants²¹ had not submitted their final narrative reports. These reports also are required by OMB²² and are used to determine the final disposition of grant projects. In one instance, DRA's spreadsheet listed one final report as received, when it was not, in fact, in the file.²³

Lastly, for those six grants administered by Rural Development, we noted that DRA was not always aware if grantees' reports had been received. Although Rural Development is the agency primarily responsible for administering these grants, it is required to provide quarterly progress reports, financial reports, and final reports to DRA, as the awarding agency. Of the 44 FYs 2003 and 2004 progress reports for grants administered by Rural Development, DRA had not received 20 reports and another 9 were received late. Of the 44 FYs 2003 and 2004 financial status reports for grants administered by Rural Development, DRA had not received 32 reports, and another 6 were received late (see exhibit C).

We concluded that, unless DRA receives these reports in a timely manner, the agency cannot be certain that grant funds are spent in accordance with applicable laws and regulations, and that grantees are making progress towards achieving their project objectives. Thus, DRA must take steps to develop and implement a system that accurately tracks the receipt of quarterly reports, as well as procedures for dealing with grantees who do not turn in reports as required by their grant agreements.

Recommendation 10

Develop and implement controls for tracking the receipt of quarterly performance reports, financial status reports, and final narrative reports from grantees, including a subsystem for verifying the data entered into this system and another subsystem for alerting officials when reports are missing.

Agency Response.

DRA stated that new procedures have been implemented to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees. The project coordinator now completes a weekly grant activity log which exhibits all the work he has completed within each grant, including grant funds disbursed, date funds were disbursed, date quarterly report was received, date final report was received, and any changes regarding the grant. The completed log is given to the Federal Programs Coordinator. The log works as a subsystem to verify the

²¹ Three grants administered by DRA (AL-2310, KY-2555, and LA-2179) and two grants administered by Rural Development (MS-2449 and MS-2453) were missing final narrative reports.

²² OMB Circular A-110.71(a), "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," revised November 19, 1993, as further amended September 30, 1999. OMB Circular A-102(3)(a), "Grants and Cooperative Agreements with State and Local Governments," revised October 7, 1994, as further amended August 29, 1997.

²³ Grant AL-2310.

- data entered into the *Access* database is accurate. The database tracks the receipt of reports and all of the activity in each individual grant and tracks the status of all reports as a whole.

OIG Position.

We accept management decision for Recommendation 10.

Recommendation 11

Develop and implement procedures for requesting the submission of late or missing quarterly reports, as well as withholding payments to grantees in violation of grant conditions.

Agency Response.

DRA stated that it has developed and implemented a procedure for requesting submission of late quarterly reports. A letter will be mailed to the tardy grantees on the 18th of each calendar quarter. The letter provides when the report was due, what must be done to remedy the problem, and the consequences of the grantee's failure to remedy the problem by continued noncompliance. If no report is received by the 1st of the following month, a second demand letter will be mailed advising the grantee it has until the 15th of the month to provide the report, or the grant is considered suspended and must be in compliance by the 1st of the following month. If not, the grant is terminated for failure to comply with the grant agreement. On the 1st of the following month, a demand/default letter will be mailed demanding return of all Federal funds.

DRA also stated that it now withholds all payments to grantees in violation of grant conditions when reports are late. The procedure has been added to the *Policies and Procedures Manual* for the Federal Grants Program.

OIG Position.

We accept management decision for Recommendation 11.

Recommendation 12

Develop and implement procedures to ensure that other agencies administering DRA-approved grants timely provide copies of all quarterly reports to DRA.

• **Agency Response.**

According to DRA's response, the procedures described for Recommendation 11 also are prescribed to the corresponding administering agencies. According to DRA, the administering agency will be copied with each of the letters requesting the submission of late quarterly reports, and reference will be made to the obligations of the administering agency.

OIG Position.

We accept management decision for Recommendation 12.

Scope and Methodology

Audit work was performed at DRA's office in Clarksdale, Mississippi, and at the offices of six DRA grantees—three located in Alabama, one in Missouri, one in Kentucky, and one in Arkansas. We included DRA operations and management controls over Federal funds for FYs 2003 and 2004. Audit fieldwork was performed from August 2005 through May 2006.

We evaluated DRA's management controls over grant administration and expenditures, as well as DRA's management controls over financial administration, including accounting controls.

Our universe of grants included 66 from FY 2003 and 49 from FY 2004. Based on electronic spreadsheets provided to us by DRA personnel, we determined that the 66-grant universe for FY 2003 represented obligations of Federal dollars totaling \$7.2 million, of which \$4.1 million had been disbursed, and that the 49-grant universe for FY 2004 represented obligations of Federal dollars totaling \$3.6 million, of which \$269,225 had been disbursed.²⁴ We judgmentally selected 20 grants for review—12 from FY 2003 and 8 from FY 2004.

For FY 2003, we chose grants that had been approved for \$150,000 or more and had received disbursements; for FY 2004, we chose all eight grants that had been approved and had received disbursements.

To accomplish our objective, the audit included interviews with DRA personnel and examinations of policies, procedures, and activities. Specifically, we

- reviewed program regulations, instructions, policies, and procedures;
- reviewed external and internal audit reports, financial reports, and performance reports;
- reviewed contracts and agreements between DRA and grantees, and between DRA and administering agencies;
- interviewed DRA officials and officials from six grantee agencies;
- reviewed DRA's accounting system and expenditures; and

²⁴ As of August 1, 2005.

- reviewed grant documents and related documentation for 20 judgmentally selected grants.

This audit was conducted in accordance with generally accepted Government auditing standards. Accordingly, it includes such tests of the accounting records, grant records, and other auditing procedures necessary to accomplish our audit objective.

Exhibit A – Summary of Monetary Results

Exhibit A – Page 1 of 1

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	1	Ineligible Grant	\$150,000	Questioned Cost, Recovery Recommended
2	2	Disbursements Without Documentation	545,437	Questioned Cost, Recovery Recommended
3	6	Incomplete Grant Eligibility Documentation	220,000	Questioned Cost, No Recovery Recommended
TOTAL			\$915,437	

Exhibit B – Grant Funds Disbursed When Reports Were Late or Missing

Exhibit B – Page 1 of 1

	Grant Number	Funds Disbursed
FY 2003 Grants	AL-2300	\$ 163,043.43
	AL-2310	200,000.00
	KY-2555	250,000.00
	LA-2179	150,000.00
	MO-2242	200,000.00
FY 2004 Grants	AL-2656	8,640.00
	AR-2677	150,000.00
	KY-2653	25,000.00
	LA-2619	20,000.00
	LA-2724	25,000.00
	TN-2644	26,170.24
	TN-2649	13,640.17
TOTAL ²⁵		\$1,231,493.84

²⁵ Two grantees had submitted all required reports on time; therefore, this list shows only 12 of the 14 grants discussed in Finding 5.

Exhibit C – Table of Missing Quarterly Reports

Exhibit C – Page 1 of 3

FY 2003 GRANTS

Grant Number	Total Number of Progress Reports Due	Number of Progress Reports Received	Number of Progress Reports Late	Number of Progress Reports Missing	Total Number of Financial Status Reports Due	Number of Financial Status Reports Received	Number of Financial Status Reports Late	Number of Financial Status Reports Missing	Final Narrative Report Missing
AL-2155	1	1	0	0	1	1	0	0	0
AL-2300	8	3	3	5	8	4	1	4	Not yet due
AL-2310	7	0	0	7	7	0	0	7	1
KY-2555	6	0	0	6	6	0	0	6	1
LA-2179	5	2	0	3	5	1	0	4	1
MO-2242	5	5	0	0	5	0	0	5	0
Total 6 Grants	32	11	3	21	32	6	1	26	3

FY 2004 GRANTS

Grant Number	Total Number of Progress Reports Due	Number of Progress Reports Received	Number of Progress Reports Late	Number of Progress Reports Missing	Total Number of Financial Status Reports Due	Number of Financial Status Reports Received	Number of Financial Status Reports Late	Number of Financial Status Reports Missing	Final Narrative Report Missing
AL-2656	3	1	1	2	3	0	0	3	Not yet due
AR-2677	3	1	0	2	3	1	0	2	0
KY-2653	2	0	0	2	2	0	0	2	0
LA-2619	3	1	1	2	3	1	1	2	0
LA-2724	1	1	0	0	1	0	0	1	Not yet due
MO-2584	2	2	0	0	2	2	0	0	Not yet due
TN-2644	3	2	0	1	3	0	0	3	Not yet due
TN-2649	3	1	1	2	3	1	1	2	Not yet due
Total 8 Grants	20	9	3	11	20	5	2	15	

FY 2003 GRANTS ADMINISTERED BY RURAL DEVELOPMENT

Grant Number	Total Number of Progress Reports Due	Number of Progress Reports Received	Number of Progress Reports Late	Number of Progress Reports Missing	Total Number of Financial Status Reports Due	Number of Financial Status Reports Received	Number of Financial Status Reports Late	Number of Financial Status Reports Missing	Final Narrative Report Missing
AR-2336	8	5	1	3	8	0	0	8	Not due
AR-2356	8	1	0	7	8	1	0	7	Not due
IL-2380	8	7	3	1	8	7	4	1	Not due
MS-2449	7	5	4	2	7	4	2	3	1
MS-2453	5	0	0	5	5	0	0	5	1
TN-2226	8	6	1	2	8	0	0	8	Not due
Total 6 Grants	44	24	9	20	44	12	6	32	2



DELTA REGIONAL AUTHORITY

236 SHARKSKY AVENUE / SUITE 400 / CLARKSDALE, MS 38614 / (662) 624-8600 / FAX: (662) 624-8537 / www.dra.gov

July 18, 2006

Mr. Richard Pena
Assistant Regional Inspector General
Office of Inspector General
1114 Commerce Street
Santa Fe Building, Suite 202
Dallas, TX 75242

RE: Exit Conference 62099-1-Te

Dear Mr. Pena:

Enclosed is the response to the Discussion Draft Audit Report for the Delta Regional Authority (DRA) reflecting Fiscal Year 2003-2004. This response is made available to you for discussion at our upcoming conference call on July 25 at 10:00 a.m. (CST).

If you have any questions, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred S. Cohen".

Fred S. Cohen
Director of Finance & Administration

FSC:ps

Enclosure

**DELTA REGIONAL AUTHORITY'S RESPONSE TO
DISCUSSION DRAFT AUDIT REPORT (FISCAL YEARS 2003-2004)
BY U.S. DEPARTMENT OF AGRICULTURE, OFFICE
OF INSPECTOR GENERAL, SOUTHWEST REGION**

PREAMBLE

The Delta Regional Authority (hereinafter "Authority" or "DRA") first met on February 23, 2002. Since that time, the Authority has granted over \$40 million through two hundred seventy eight projects all across the counties and parishes throughout the eight Delta States for fiscal years 2002-2005. As a result, over \$162 million in additional investment has been leveraged, a ratio of four to one. During this same period, projects funded in part by DRA dollars attracted private investment totaling \$356,332,982 which is a ratio of 8.8:1. In sum, the combination of all leveraged dollars to DRA dollars reveals an outstanding four year ratio of 12.7:1. The Authority has shifted from the "organizational phase" of the agency and has entered the "established phase" whereby the Authority is continuing to emphasize performance, accountability, and sustainability with its grants program. DRA has been proactive in doing so in that it hired an outside audit firm between audits by OIG to conduct an audit of grants program. This outside audit exhibited the progress that DRA was making as well as areas of improvement.

Thanks to the Office of the Inspector General (hereinafter "OIG"), the Authority has made great strides since its last audit. As recommended by OIG, DRA developed effective policies and procedures to:

- * Control appropriated funds within congressionally imposed limitations;
- * Ensure that grants of Federal funds are used as intended and in accordance with applicable laws and regulations;
- * Strengthen management controls within the grants program;
- * Assist with management controls covering advances of funds to grantees;
- * Assist in receipt of progress and final reports on project activities; and
- * Ensure Audit requirements of the Accountability of Tax Dollars Act of 2002 for fiscal year 2003 and 2004 have been met.

The recommendations from the Audit Report for Fiscal Years 2001-2003 were taken and implemented which partially has led OIG to recognizing in its Discussion Draft that "DRA has made significant progress towards establishing and running an effective agency." However, DRA recognizes the need for additional policies and procedures to insure the recommendations from both Audits are implemented.

As to this Audit, many of the recommendations made by OIG have already been taken, implemented, and even expanded upon. For instance:

- * Not only has documentation been acquired and disbursements confirmed to be proper for two of the three fiscal year 2003 grants reviewed by OIG,

but DRA has reviewed the remaining grants for fiscal year 2003 and confirmed that adequate documentation is in place as to each;

- * Procedures for implementing controls to maintain accountability have been established to prevent future inconsistent use of checklists;
- * All fiscal year 2004 grant files have been reviewed and eligibility reconfirmed;
- * DRA has developed and implemented written procedures for performing site visits of grant projects as well as a schedule to complete the site visits; and
- * New procedures have already been implemented to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees and will be used for the current calendar quarter.

DRA requests that OIG review the policies, procedures, and controls implemented and either certify the same or recommend how the proposed and implemented policies, procedures, and controls should be changed.

**EXECUTIVE SUMMARY
OF DELTA REGIONAL AUTHORITY'S RESPONSE**

Response to Results in Brief

Finding 1 *A Feasibility Study Was Eligible For Funding.*

MS-2449 was a feasibility study to determine the potential commercial uses of digital imaging technology. The project was a great success that resulted in the direct hiring of two PhD professors and indirectly resulted in the hiring of a third; the establishment of an incubator; much collaboration between important entities in the Delta Region and potentially large funding for further research.

OIG has recommended DRA recover this \$150,000 in grant funds based upon the assumption that this fiscal year grant 2003 is ineligible. However, MS-2449 is in fact eligible under the Delta Regional Authority Act. Eligibility is also supported by the fact that similar agencies fund feasibility studies. Therefore, DRA does not agree to Recommendation No. 1. However, DRA declared feasibility studies ineligible for fiscal year 2006.

Finding 2 *The Grant Files Now Contain Adequate Documentation To Support Disbursements.*

Upon review of fiscal years 2003-2004 grants, three 2003 grants included disbursements that did not contain adequate documentation. This documentation has been acquired and disbursements have been confirmed to be proper for two of the three and the third is currently being reviewed.

Since the Audit, the "Request for Advance/Reimbursement Review Checklist" has been used and applied to the remaining sixteen project files for fiscal year 2003 by the Director of Federal Programs. Fifteen of the sixteen grants had adequate supporting documentation attached and the appropriate documentation is forthcoming from the one that did not.

Finding 3 *Controls For Approving Grant Applications And Disbursing Grant Funds Have Been Improved.*

As recommended by OIG, DRA has reviewed its current system of checklists and has revised its use of the same as discussed more thoroughly below.

The Audit apparently revealed inconsistent use of checklists and disbursement of funds prior to receipt of all needed documentation. In response, the *Policies and Procedure Manual* for the Federal Grants Program has been amended to prevent either from occurring in the future and personnel will be trained with this new procedure.

All checklists have spaces for project coordinators to sign and date each as completed and an additional space for supervisors to sign and date the checklists when performing second party reviews.

To reconfirm eligibility, all of the fiscal year 2004 grants have been reviewed by the Director of Federal Programs and the Projects Coordinator. This review found all of the projects were in fact eligible. In addition, all checklists have now been completed and properly placed in the respective files.

Finding 4 *A Plan Has Been Implemented To Form Site Visits To Grantees.*

DRA has developed and implemented written procedures for performing site visits of grant projects as well as a schedule to complete the site visits. DRA has also implemented procedures of how site visits are to be conducted and grant recipients are notified of the results of site visits. Specifically, DRA personnel will conduct four site visits a month for a total of forty-eight a year for each fiscal year. Site visits will be conducted of all projects that are in the top thirty-three percent by DRA dollar amount. Site visits will be conducted on the remaining projects as chosen by the Director of Federal Programs with an emphasis placed on those projects that are untimely with reports and have other potential compliance issues. DRA requests guidance from OIG as to whether this procedure and schedule are acceptable.

Finding 5 *DRA Has Improved Its Controls For Tracking Quarterly Reports.*

New procedures have been implemented to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees. Specifically, the project coordinator now completes a "Weekly Grant Activity Log" which exhibits all the work he has completed within each grant. This log is then given to the Federal Programs Coordinator who has recently been trained in *Access* database by Microsoft. The "Weekly Grant Activity Log" works as a subsystem to verify the data entered into *Access* is accurate. This database has been adapted to DRA's needs. Specifically, it tracks the receipt of reports and all of the activity in each individual grant and can track the status of all reports as a whole.

DRA officials are currently exploring the feasibility and costs of *Access* alerting officials when reports are late or missing. Should this not be possible or cost effective, DRA now has the Federal Programs Coordinator review the portion of the *Access* database on the 17th of each calendar quarter to determine whether any reports are late.

DRA has developed and implemented a procedure and timeline for requesting submission of late quarterly reports from both grantees and the corresponding administering agencies more specifically discussed below. In fact, this plan, procedure, and timeline have been implemented for this calendar quarter beginning July 2006.

As to each of these new controls and procedures, DRA requests guidance from OIG as to whether each is acceptable to satisfy the recommendations made in this Finding.

Response to Recommendations in Brief

- * DRA does not agree to Recommendation No. 1.
- * Upon review of fiscal years 2003-2004 grants, three 2003 grants included disbursements that did not contain adequate documentation. This documentation has been acquired and disbursements have been confirmed to be proper for two of the three and the third is currently being reviewed.
- * As recommended in Recommendation No. 3, DRA has reviewed its current system of checklists and has revised its use of the same as discussed more thoroughly below.
- * Pursuant to Recommendation No. 4, DRA has reaffirmed with its personnel its procedure that all relevant documentation be obtained for each grant prior to signing the grant agreement.
- * As recommended in Recommendation No. 5, all checklists have spaces for project coordinators and supervisors to sign and date each as completed.
- * To reconfirm eligibility, all of the fiscal year 2004 grants have been reviewed by the Director of Federal Programs and the Projects Coordinator. This review found all of the projects were in fact eligible.
- * Pursuant to Recommendation No. 7, DRA has developed and implemented written procedures for performing site visits of grant projects as well as a schedule to complete the site visits. DRA requests guidance as to whether such procedures are acceptable to satisfy this Recommendation.
- * As recommended in Recommendation No. 8, DRA has also implemented procedures of how site visits are to be conducted and grant recipients are notified of the results of site visits. DRA requests guidance as to whether such procedures are acceptable to satisfy this Recommendation.
- * As to Recommendation No. 9, DRA does not think it prudent to require the administering agencies to perform site visits and report results to DRA at this time. Rather, DRA wishes to implement this new procedure and then evaluate the results. However, to the extent Rural Development makes site visits, DRA officials will request reports from the same in the future. Should Rural Development refuse, DRA plans to renegotiate the Memorandum of Agreement that is currently in place as it does not provide for production of these reports. However, DRA does not expect production of these reports to be a problem.

- * New procedures have been implemented to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees in order to comply with Recommendation No. 10.
- * DRA has developed and implemented a procedure and timeline for requesting submission of late quarterly reports from both grantees and the corresponding administering agencies and withholding of payments to grantees in violation of the same in order to comply with Recommendation Nos. 11 and 12. DRA requests guidance as to whether this procedure and timeline are acceptable to satisfy this Recommendation.

RESPONSE TO FINDINGS AND RECOMMENDATIONS

FINDING 1 *A Feasibility Study was Eligible for Funding.*

The first Finding alleges that DRA funded an ineligible project. Specifically, MS-2449 was a feasibility study to determine the potential commercial uses of digital imaging technology. The project was a great success. The study showed economic development potential in the field of digital imaging knowledgebases, with particular interest to Southwest Mississippi in the areas of medicine, veterinarian medicine, and metallurgy/welds. Due partially to the feasibility study funded by DRA, Alcorn State University ("University") created the Systems Research Institute ("Institute"). The University hired two statistical research PhD professors and assigned a department head to spearhead the Institute. The Institute, in collaboration with the local business community and the Natchez-Adams County Economic Development Authority, opened the Alcorn State University Technology Incubator. This incubator is located in downtown Natchez, Mississippi.

In addition, the University has undertaken a collaborative effort with the University of Mississippi Medical Center and local private business interests to study computer aided diagnosis of breast cancer through the image enhancement of mammography and the statistical analysis of the digital data provided in digitized mammograms. An initial presentation of the proposed research was presented to the Telemedicine and Advanced Technology Research Center ("TATRC"), a department of the Army. TATRC expressed interest in the methodologies outlined in the initial proposal and requested a full grant application. Application for funding in the amount of \$2.5 million for a thirty month study has been presented and the Institute is currently awaiting notification of award. If the application is granted, two additional PhDs will be retained.

The Institute proposed a joint research project with Mississippi State University and private industry for the digital image study and knowledgebase creation for the study and grading of intramuscular fat in beef cattle. This study is currently being implemented and has resulted in the hiring of another PhD that is currently housed in the incubator discussed above.

Another area of interest is the computer aided inspection of weld joints in naval vessels, pipelines, and possibly nuclear power plants.

In sum, the \$150,000 provided by DRA has resulted in the direct hiring of two PhD professors and indirectly resulted in the hiring of a third; the establishment of an incubator; much collaboration between important entities in the Delta Region and potentially large funding for further research.

OIG has recommended DRA recover this \$150,000 in grant funds based upon the assumption that this fiscal year grant 2003 is ineligible. However, MS-2449 is in fact eligible. Under the Delta Regional Authority Act, the appropriated federal funds available are to be focused on four activities, one of which is “business development, with emphasis on entrepreneurship.”¹ Obviously, this feasibility study fell within this activity and certainly the Delta Regional Authority Act does not preclude such studies. In other words, this feasibility study neatly fits within one of the four activities DRA is to focus upon and the lack of language in the Delta Regional Authority Act forbidding such acts certainly indicates eligibility.

The DRA 2003 Federal Grant Program Eligibility Clarification Notes did not prohibit feasibility studies. Specifically, “Workforce and Business Development” found in paragraph 3 includes approval of projects that “demonstrate job-creation.” As stated, this feasibility study resulted in the creation of two PhD professors and will result in further job creation and retention when the incubator is filled. “Business development” found in paragraph 6 allows for the eligibility of projects when they include “entrepreneurship, the creation of new businesses or the retention or expansion of existing businesses in the local the communities.” This feasibility study helped business development by having a direct impact on local community when Alcorn State University created the Institute which lead to the incubator as well as other joint research projects that could result in phenomenal growth for the area.

By contrast, the DRA 2004 Federal Grant Program Eligibility Clarification Notes contained “sustainability” language. This language required grantees to exhibit a plan that included “all costs associated with management, operation, and maintenance necessary to maintain an acceptable level of service.” Under this language, DRA recognizes that MS-2449 may not have been eligible, but such language did not apply to the 2003 grants program. Not until fiscal year 2006 did DRA make the decision not to continue to fund feasibility studies due to OIG’s opinion given in this Discussion Draft that feasibility studies do not result in direct job creation or retention. DRA’s decision was specifically made due to this Finding. Otherwise, DRA stands by its position that MS-2449, as well as other projects involving feasibility studies, was not only eligible, but also successful.

A review of projects by similar agencies supports DRA’s position. Specifically, DRA was patterned after the Appalachian Regional Commission (“ARC”). A review of ARC projects funded as recently as fiscal year 2006 shows that it commonly funds feasibility

¹ 7 U.S.C.A. 2009aa-2(b)(2)(C).

studies.² The same can be said for the Denali Commission as it has consistently funded several feasibility studies during each grant cycle.³ In addition, feasibility studies are eligible for funding by Rural Development, USDA through its Rural Business Enterprise Grants Program.⁴ In short, feasibility studies have been found not only eligible by the Authority's counterparts, but also very beneficial. Therefore, DRA does not agree to Recommendation No. 1. However, DRA declared feasibility studies ineligible for fiscal year 2006.

FINDING 2 *The Authority has Obtained Documentation for Supported Costs.*

Upon review of fiscal years 2003-2004 grants, three 2003 grants included disbursements that did not contain adequate documentation. This documentation has been acquired for all three and disbursements have been confirmed to be proper for two of the three. The documentation is currently being reviewed to determine whether disbursements are proper.

As recognized in the Discussion Draft, proper documentation was found for all the 2004 grants sampled. The control in place to prevent disbursements of funds without proper documentation that resulted in such successful results for 2004 was a simple checklist entitled "Request for Advance/Reimbursement Review Checklist." In order to complete this Checklist, the reviewer must confirm, among other things, that the request is "documented with bill(s) to be paid." The reviewer then must execute, date, and attach the bill(s) to the Checklist.

Since the Audit, this Checklist has been used and applied to the remaining sixteen project files for fiscal year 2003 by the Director of Federal Programs. Omitted were the projects reviewed by OIG, projects where funds were transferred to Rural Development or EDA under a Memorandum of Agreement to administer, and those projects in which no DRA funds have been disbursed.

States	Total Projects	OIG Reviewed	Funds Trans to R.D. and E.D.A.	Zero funds Disbursed	Reviewed
Alabama	14	3	1	2	8
Arkansas	8	2	5	0	1
Illinois	7	1	6	0	0
Kentucky	4	1	1	0	2
Louisiana	15	1	5	9	0
Mississippi	7	2	2	2	1
Missouri	10	1	0	5	4
Tennessee	4	1	3	0	0
Total	69	12	23	18	16

² See www.arc.gov

³ See www.denali.gov

⁴ See www.rurdev.usda.gov

In conducting this review, the Director of Federal Programs found that fifteen of the sixteen grants had adequate supporting documentation attached to the Request for Advance/Reimbursement form. Only one did not. Specifically, AL-2294 did not include a copy of the real estate contract or a copy of the deed of the purchased property. However, a copy of the deed has been received and a copy of the contract is forth coming to satisfy the requirement of needed supporting documentation.

Obviously, this Checklist is effective for confirming supporting documentation is received and reviewed prior to disbursement of federal funds. DRA will continue using this Checklist for fiscal year 2005 as well as additional grant cycles to come which should remedy this problem in the future. In response to the specific grants referred to in the Discussion Draft, please see below.

Grant No. AL-2155: At the August 12, 2003, board meeting of DRA, three Alabama projects were discussed. These three projects were from the 2001-02 grants' program which involved funds that were de-obligated due to the initial grantees ceasing to exist due to a lack of funding. As the three new projects were to be suppliers to the new Hyundai plant, the Alternate of the State of Alabama requested that these projects be expedited. All three projects were unanimously approved with the request that they be administered immediately. AL-2155 was one of these projects.

This million dollar project included site preparation for a twenty five acre site on which Daehan Solution Alabama, L.L.C., ("Daehan Solution") constructed a 145,000 square foot facility in the Lowndes County Industrial Park. Daehan Solution is tier-one supplier of Hyundai Motor Manufacturing Alabama. DRA provided \$250,000 of the project with the Alabama Department of Economic & Community Affairs ("ADECA") providing the remaining \$750,000 of the project through Community Development Block Grant ("CDBG"). At the site visit attended by both OIG and DRA personnel on November 16, 2005, it was learned that Daehan Solution had created one hundred and five full time jobs and sixty five temporary jobs. Over fifty percent of these jobs were filled with local county residents. Since that time, Hyundai has started building a new vehicle which has resulted in the employment of an additional one hundred employees.

The Director of Federal Programs began working for DRA on September 1, 2003. The completed "Request for Advance/Reimbursement" form came shortly thereafter on September 23, 2003. In fact, this was the first such Request the new Director of Federal Programs ever received. As he had just arrived, the Director of Federal Programs was in the process of implementing controls, but all such controls were not in place at the time of the disbursement. Due partially to the fact that CDBG funds, which were seventy-five percent of the project, had already been placed into the project and the DRA funds were the final portion of the funds needed to complete this expedited project, the Director of Federal Programs disbursed without supporting documentation. He attributes the oversight to the need for the funds quickly, the fact that a vast majority of the project was already completed, and his newness to the job at that time. However, the supporting documentation has since been received on March 19, 2006, and the disbursements have been confirmed to be proper. Therefore, no federal funds were improperly disbursed.

Grant No. AL-2300: This too was one of the Alabama projects unanimously approved at the August 12, 2003, board meeting of DRA. The grantee acquired approximately twenty acres and made capital improvements to the same for the Sejong Company Manufacturing Site. The total project cost over \$3 million and it included \$250,000 in DRA funds. The plant started in May of 2005. At the site visit attended by both OIG and DRA personnel on November 16, 2005, it was learned that eighty six full time employees and forty five temporary employees had been hired with an expected increase of an additional eighty employees shortly.

The Audit indicates that no supporting documentation was received by DRA prior to disbursement. This is incorrect. On November 21, 2003, the mayor of the grantee requested the first payment in the amount of \$145,437 to specifically be used for storm drainage improvements. He further advised that the land acquisition and basic site preparation was complete and the construction process had begun. On January 5, 2004, DRA received this request from the administering agency, ADECA. Both the Director of ADECA, who also was the Alternate for the State of Alabama at the time, and the DRA Program Supervisor with ADECA approved the disbursement. As such, a contractor was paid a progress payment based upon these assurances through this request.

Since the first payment, three more payments have been made. Proper supporting documentation including itemizations and invoices were received prior to disbursement for these three payments. As to the first disbursement, DRA has received confirmation from CDBG's audit that all federal funds were properly used. This audit included review of the supporting documentation, including itemizations and invoices. Therefore, this first payment was proper.

Grant No. LA-2179: This \$150,000 grant was applied to a project within the strategic initiative for the Ouachita Region. Specifically, it revolved around a new intermodal-multimodal facility, general purpose-container dock and rolling stock along with providing for the operation of a river port and commercial park, comprehensively connecting the Ouachita Parish and Region to international trade and commerce.

The first, and only, request for the \$150,000 disbursement was made on December 28, 2004. Attached to the Request for Advancement/Reimbursement was a copy of the December 8, 2004, minutes from the Greater Ouachita Port Commission. The Minutes reflected that the committee responsible for reviewing invoices had met and that both members of the committee found them to be in order. Therefore, a motion was made by the Greater Ouachita Port Commission that the total amount of the invoices be reimbursed by DRA funds. The motion was seconded and passed.

DRA relied upon these minutes and review of the invoices by the Greater Ouachita Port Commission. As OIG's Audit was conducted, DRA personnel were advised that copies of the actual invoices reviewed were needed for the file. As such, the Director of Federal Programs requested copies of the same from the President of the Greater Ouachita Port Commission since they were the basis for the reimbursement. This was done at the

direction of OIG's auditor as she did not approve of advancing funds without actual confirmation and review of the invoices used for reimbursement by DRA personnel. Copies of the actual invoices have recently been received and currently are being reviewed to determine whether the disbursements were in fact proper.

Obviously, the Director of Federal Programs believed the copy of the minutes with the assurance that the invoices had been properly reviewed was sufficient. However, it is clear that in the eyes of OIG such documentation was insufficient. As such, DRA will insure in the future that it always receives copies of actual supporting documentation prior to disbursement and not rely solely upon grantees' review.

Finding 3 *Controls Over Grant Applications and Expenditures Have Been Approved.*

As suggested by OIG, DRA has reviewed its current system of checklists. As stated in the Discussion Draft, four checklists are currently used. The "Delta Regional Authority Federal Grant Program Procedures Checklist" serves as the "master checklist" that insures all steps are taken throughout the life of the project. Then, three specialized checklists are used. The first is the "DRA Application Checklist" that insures all supporting documentation of the application is received and reviewed. The second checklist entitled "Checklist for Additional Documents Required for Grant Signing" was established to insure the additional documents required by General Counsel of DRA were obtained. The final checklist -- "Request for Advance/Reimbursement Checklist" -- is used to process grantees' requests for disbursements of grant funds.

Recommendation No. 3 suggested DRA determine if all of these checklists are necessary. DRA has taken this recommendation and decided to forgo the use of "Checklist for Additional Documents Required for Grant Signing" and will instead refer to the correspondence from the Director of Federal Programs to the grantees informing them of the additional documentation required by General Counsel. In other words, the projects coordinator will actually initial and date the numbered items requested in this correspondence as the needed documentation arrives. No federal funds will be disbursed until each number is satisfied.

As to the other checklists, DRA personnel believe that each serves a vital role in the grants program and does not think reducing the number of checklists would be helpful at this time, especially since this combination has only been in place for a short period of time. DRA believes that the system of checklists in place has just now developed to the point that the system will prove helpful and beneficial in insuring that grants are handled properly and to change the same at this time would be premature and of no benefit.

The Audit apparently revealed inconsistent use of checklists that are in place as management controls. However, procedures for implementing controls to maintaining accountability have been established. Specifically, the *Policies and Procedure Manual* for the Federal Grants Program has been amended to include in Section 40(g) the following:

Checklists shall be used in the administration of all grants. The "DRA Federal Grant Program Procedure Checklist" shall serve as the "master checklist" of all grants that insures all steps are taken throughout the project. It shall track the grant from the pre-approval process through the final narrative report. The "DRA Grant Checklist" shall be used to insure all supporting documentation of the application is received and reviewed. The "Request for Advance/Reimbursement Checklist" shall be used to process all requests by grantees for disbursements of grant funds.

This addition should satisfy Government Accountability Office's *Standards for Internal Control in the Federal* which requires agencies to establish appropriate documentation for internal controls such as operating manuals.

Once a grant has been approved, DRA requires grantees execute various grant documents that are listed on the "Additional Documentation Request at Document Signing Checklist." Prior to execution, General Counsel reviews each grant and prepares the needed documentation. In doing so, he may require additional documentation that is needed that is not included on this Checklist. Upon this decision, the Director of Federal Programs mails a cover letter requesting the additional documents along with the execution of grant closing documents. The grantees then, generally, return the executed grant closing documents along with the additional documents requested. If a grantee fails to do so, no money is to be disbursed, but apparently, some funds were disbursed, prior to receipt of all of the additional documents.

Pursuant to Recommendation No. 4, DRA has reaffirmed with its personnel its procedure that all relevant documentation be obtained for each grant prior to signing the grant agreement. For fiscal year 2006, the Director of Federal Programs, with assistance from General Counsel, will mail a letter to any grantee whereby the grant requires additional documentation not listed on the "Additional Documentation Request at Document Signing Checklist." Absolutely no funds will be disbursed until each of these documents are received. To insure this is implemented properly, DRA has amended its *Policies and Procedure Manual* for the Federal Grants Program to include language that does not allow disbursement of any funds until the documentation listed in this correspondence has been received. Specifically, the following language has now been added to Section 21(g)(1)(i): "...DRA shall not withhold payments for proper charges incurred by grantees or sub grantees unless -- The grantee or subgrantee has failed to comply with the grant award conditions *including production of all requested documentation.*"

Recommendation No. 5 has been taken and implemented. Although project coordinators executed and dated, the checklists did not necessarily contain a signature and date lines. Now, all checklists have spaces for project coordinators to sign and date each as completed. Also, an additional space for supervisors to sign and date the checklists when performing second party reviews has been added. Copies of the revised checklists are attached as collective Exhibit "A".

Three of the eight fiscal year 2004 grants reviewed found that DRA approved grant applications even though the “DRA 2004 Federal Grant Program Procedures Checklist” was incomplete and one of the eight included an incomplete “Additional Documentation Requested at Document Signing Checklist.” For each of these grants, the Director of Federal Programs has reconfirmed that the items required to result in grant approval have all been obtained and placed in the respective files. As such, no federal funds were disbursed to ineligible grantees and Recommendation No. 6 has been met.

To insure eligibility of the remaining forty-nine fiscal year 2004 grants, the Director of Federal Programs and the Projects Coordinator have reviewed all fiscal year 2004 grant files. This review found all of the projects were in fact eligible. However, eight files had incomplete Delta Regional Authority Federal Grant Program Procedures Checklists and nine files did not include this Checklist. In each instance, the supporting documentation and actions listed on this Checklist had been taken. In other words, all that was needed was completion of the Checklist. This Checklist has now been completed in each of these files and all fiscal year 2004 grants should be in compliance.

Finding 4 *DRA has Improved its Procedures for Performing Site Visits to Grantees.*

From its birth, DRA has attempted not to become a bureaucracy. In doing so, DRA’s staff is limited and works with a limited budget due to decreases in funding. This decision has made it difficult to conduct the site visits of the approximate two hundred seventy eight grants made since the first grants cycle in 2002. However, DRA recognizes the importance of monitoring and has developed a comprehensive plan that should satisfy OIG, comply with GAO, and meet expectations. DRA requests guidance from OIG as to whether this procedure and plan are acceptable. Although DRA believes it can meet these expectations with the current staff, DRA plans to explore shortly the possibility of additional hires while compiling the budget for fiscal year 2007 as well as the possibility of adding additional job duties to existing staff.

As recommended in Recommendation No. 7, DRA has developed and implemented written procedures for performing a minimum number of site visits of grant projects as well as a schedule to complete the site visits. Specifically, DRA personnel will conduct four site visits a month for a total of forty-eight a year for each fiscal year. Site visits will be conducted of all projects that are in the top thirty-three percent by DRA dollar amount. Site visits will be conducted on the remaining projects as chosen by the Director of Federal Programs with an emphasis placed on those projects that are untimely with reports and have other potential compliance issues. This is a self imposed minimum requirement as DRA officials fully expect site visits in excess of this requirement, especially if budget constraints allow for an additional hire in the federal grants program.

As to a schedule of the current grants, the new “top thirty-three percent” requirement has been met for site visits for fiscal year 2002. As to the sixty-six fiscal year 2003 grants, ten of the twenty-two grants that make up the top thirty-three percent have already been conducted. By scheduling four a month, twelve more site visits will be conducted by

September 30, 2006, to complete fiscal year 2003. Fiscal year 2004 includes forty-nine grants and fiscal year 2005 includes sixty-five grants for a total of one hundred fourteen grants. DRA plans to have the site visits for these two years completed by December 31, 2007. Therefore, four site visits a month for fifteen months for a total of sixty site visits will be conducted of which thirty-eight will satisfy the new “top thirty-three percent” requirement. In other words, thirty-eight site visits will be conducted on the largest of the DRA projects and twenty-two site visits will be conducted on the smaller grants chosen by the Director of Federal Programs with an emphasis placed on those projects that are untimely with reports and have other potential compliance issues. As a result, site visits will be conducted on over half of the fiscal years 2004 and 2005 projects.

DRA has now implemented procedures of how site visits are to be conducted and grant recipients are notified of the results of site visits. Specifically, DRA personnel shall not only visit the project but also review the documentation dealing with the grant, including accounting documents. Upon arrival, all those involved in the site visit will execute the sign in sheet entitled “DRA Site Visit Compliance Review – Sign-In Sheet” attached hereto as Exhibit “B.” Upon completion, DRA personnel will complete the “DRA Site Visit Compliance Review” form attached hereto as Exhibit “C” which will then be reviewed and approved by the Director of Federal Programs. Following this review, the results of the site will be mailed the “DRA Site Visit Compliance Review – Follow-up Items” similar to Exhibit “D” attached hereto which will set a date for compliance. A copy will also be sent to the administering agency.

To memorialize this new policy, DRA has added to its *Policies and Procedure Manual* for the Federal Grants Program the following language which should satisfy both OIG and GAO.

Section 40(h) *Site Visits*. DRA personnel shall conduct, at a minimum, four site visits a month for a total of forty-eight a year. Site visits shall be conducted of all projects that are in the top thirty-three percent by DRA dollar amount for each fiscal year. Site visits shall be conducted on the remaining projects as chosen by the Director of Federal Programs with an emphasis placed on those projects that are untimely with reports and have other potential compliance issues. Upon arrival, all those involved in the site visit will execute a sign in sheet. Upon completion, DRA personnel will complete the “DRA Site Visit Compliance Review” form which will then be reviewed and approved by the Director of Federal Programs. Following this review, the results of the site will be mailed to the grantee along with a date for compliance. The administering agency shall be copied with this correspondence.

Therefore, Recommendation Nos. 7 and 8 have been taken and will be implemented in the future.

As to Recommendation No. 9, does not think it prudent to require the administering agencies to perform site visits and report results to DRA at this time. Rather, DRA

wishes to implement this new procedure and then evaluate the results. However, to the extent Rural Development makes site visits, DRA officials will request reports from it in the future. Should Rural Development refuse, DRA plans to renegotiate the Memorandum of Agreement that is currently in place as it does not provide for production of these reports. However, DRA does not expect production of these reports to be a problem.

Finding 5 *DRA has Improved its Controls of Tracking Quarterly Reports.*

The Authority recognizes its need to improve its controls for tracking quarterly reports, financial reports, and final reports. However, the numbers regarding “missing” reports are somewhat skewed in that tardy reports resulted in “missing” reports. For instance, when a report is late, it resulted, in some instances, in two reports combined into one. In other words, grantees did not go back in time to complete a late report, and the report due at that particular time, but rather, completed just one report.

New procedures have been implemented to improve controls for tracking quarterly performance reports, financial status reports, and final narrative reports of grantees. Specifically, the project coordinator now completes a “Weekly Grant Activity Log” which exhibits all the work he has completed within each grant including grant funds disbursed, date the funds were disbursed, date the quarterly report was received, date the final report was received and any changes regarding the grant. A copy is attached hereto as Exhibit “E.” This log is then given to the Federal Programs Coordinator who has recently been trained in *Access* database by Microsoft. The “Weekly Grant Activity Log” works as a subsystem to verify the data entered into *Access* is accurate. This database has been adapted to DRA’s needs. Specifically, it tracks the receipt of reports and all of the activity in each individual grant and can track the status of all reports as a whole. In other words, DRA personnel can now review the complete history of a grant through *Access*, or the status of all reports.

DRA officials are currently exploring the feasibility and costs of *Access* alerting officials when reports are late or missing. Should this not be possible or cost effective, DRA plans to have the Federal Programs Coordinator review the portion of *Access* database on the 17th of each calendar quarter to determine whether any reports are late.

Therefore, Recommendation No. 10 has been taken and satisfied.

DRA has developed and implemented a procedure for requesting submission of late quarterly reports from both grantees and the corresponding administering agencies. Specifically, a letter will be mailed to the tardy grantees on the 18th of each calendar quarter. This letter provides when the report was due, what must be done to remedy the problem, and the consequences of the grantee’s failure to remedy the problem by continued noncompliance. If no report is received by the 1st of the following month, a second demand letter will be mailed. It will advise the tardy grantee it has until the 15th of that month to provide the report or the grant is considered suspended and must be in compliance by the 1st of the following month, or the grant is terminated for failure to

comply with the Grant Agreement. On the 1st of the following month, a demand/default letter will be mailed demanding return of all federal funds. Copies of these proposed letters are attached hereto as collective Exhibit "F." The administering agency will be copied with each of these letters and reference will be made as to the obligations of the administering agency.

This new procedure will implement immediately using the following timeline:

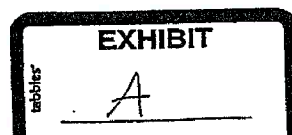
- * July 15 -- Quarterly reports due
- * July 17 -- Federal Progress/Coordinator Reviews *Access* database to determine late quarterly reports and advises the Director of Federal Programs and the Projects Coordinator
- * July 18 -- First notice letter mailed to tardy grantees regarding delinquency
- * August 1 -- Second notice letter mailed to tardy grantees advising grants will be considered suspended on the 15th if reports are not received
- * August 15 -- Grants of tardy grantees suspended
- * September 1 -- Third and final notice letter terminating grants of tardy grantees and demanding return of all DRA funds

In addition, DRA now withholds all payments to grantees in violation of grant conditions when reports are late. This has been added to the Federal Grants Program *Policy and Procedure Manual*. Specifically, Section 40(b)(5) has been added which states: No DRA funds will be disbursed until it is determined by DRA personnel that the grantee is in compliance with this Section.

This plan, procedure, and timeline have already been implemented for this calendar quarter beginning July 2006. As to each, DRA requests guidance from OIG as to whether each is acceptable to satisfy the recommendations made in this Finding.

Therefore, Recommendation Nos. 11 and 12 have both been taken and satisfied.

Initial/ Date Super	Initial / Date Prj Cor	Delta Regional Authority Federal Grant Program Procedures Checklist
		Grantee: Project #:
		DRA Pre-application Form all sections complete Standard Form 424 "Application for Federal Assistance" including appropriate construction/non-construction Budget and Assurances
		Requested status of all other funding sources.
		Federal Co-Chairman determines eligibly or in-eligible on DRA pre-app cover sheet.
		Applicant is notified of eligibility status by email and copy attached to pre-application.
		States governor's office selects projects and recommends amount of funding. Letter attached to pre-application.
		Invitation for full application is sent to Governor's selections and attached to the pre-application
		Project Coordinators review full applications for completeness per the DRA Application Submission Format & Guideline Checklist.
		Letter is sent to the individual state governors along with a copy of the full application and attachments. A letter of Certification is sent to DRA by the governor.
		Board votes on DRA projects by individual state. Each state votes to approve/disapprove other states' projects by ballot.
		Letter sent from DRA to approved applicant signed by appropriate DRA officer.
		General Counsel reviews project. Appropriate documents are prepared for project type; resolutions are requested for authorization to execute documents, easements, title opinions, or letter from City/County Attorney verifying ownership by City/ County for infrastructure projects.
		Funding is withheld until addition documentation requested is received and documentation of all funding sources is also received.
		Funding request include Standard Form 270 "Request for Advance or Reimbursement", DRA worksheet for advance/reimbursement, and documentation of bills paid or to be paid.
		Project Coordinators review requests for funds per the "Request for Advance Reimbursement Check List.", and write letter of recommendation for funding to Director of Federal Programs.
		Quarterly reports are to be monitored by the project coordinators for timely receipt, and requested information concerning the projects progress, delays, remedies for delays



and expected accomplishments for the upcoming quarter.

_____ Project Coordinators monitor timely receipt of Final Reports
upon completion of the project.

Construction Projects: DRA Application Submission Format & Guideline Checklist

Project applications should be submitted to the DRA office, 236 Sharkey, Suite 400, Clarksdale, MS 38614; please submit original and two copies. Applications should be arranged in the following section sequence and should include the following information.

Full applications will be given priority in review and processing

Supervisor Initial & Date	Checklist Initial & Date	
		SECTION 1 APPLICATION FORMS
		1) Federal Standard Form 424 (SF 424)
		2) Federal Standard Form 424C: Budget Information <i>Include grant administration fee.</i>
		3) Federal Standard Form 424D: Assurances – Construction Programs
		SECTION 2 PROJECT PROPOSAL SUMMARY <i>(suggested length 1 to 2 pages; size 12, single-spaced)</i>
		SECTION 3 PROJECT NARRATIVE <i>(suggested length 5 to 6 pages)</i>
		1) Goals & Objectives – Relate the project to one or more of the DRA Strategic Plan g and to one or more of the strategies in your State's Annual Strategy Statement (both fo at www.dra.gov).
		2) Purpose & Rationale for the Project – Describe the specific purpose and need for project and the problems or issues the project will address.
		3) Project Description – Provide a detailed description of the specific project activity utili the DRA funds. The description who, what, where (DRA funds are to be used construction on government or not-for-profit land or easement. Construction will not be for-profit owned or leased land). A detailed engineer's report may be attached to proposal to document/support for this subsection.
		4) Relation to Other Local/Regional Activities – Describe how the project meets priorities of local or regional community or economic development plans. Describe eff to coordinate the project with other area economic development activities.
		5) Geographic Area – Identify and describe the geographic area to be served.
		6) Current & Future Economic Value – Identify the number of employers or household be served, the number of existing employees, projected number of jobs to be created, the amount of funds committed by the private sector (if applicable).
		7) Benefits and Performance Measures – Describe the expected benefits to be derived fr the project in quantitative and qualitative terms. State the outputs and outcomes accordance with DRA Performance Measurement Guidelines.
		8) Funding Need – Detail the need for DRA funding and identify each different fund source for the project. Attach letters of commitment for all additional funding sources.
		9) Budget narrative - Describe the method in establishing this budget to ensure the descri project is completed as proposed.

Supervisor Initial/ Date	Prj Coor Initial/ Date	
		SECTION 4 SUPPORTING MATERIALS <i>(Include with project if applicable)</i>
		1) Engineer's report, including a detailed budget.
		2) Area map(s) and site specific drawings of the project service area.
		3) Letters of commitment from all matching fund sources.
		4) Administrating agency letter of commitment to administer DRA funds.
		5) Letters of commitment from businesses stating the specific number of jobs to be cre jobs retained, level of new private investment, and future development potential. Le must be specific in detail.
		6) Clearinghouse documentation, if required.
		7) Other pertinent supporting materials that will lead to a better understanding of the prop project.
		<i>It is important to arrange the project application in the section order with "tabbed" sections shown ab ensure timely and careful review of the application by the Delta Regional Authority Office in Mississippi.</i>

Revised January 2006

Request for Advance/Reimbursement Review Checklist

Project # _____

On the first request review the checklist of additional documents requested of the grantee. All items must be received by DRA before an advance/reimbursement will be made.

1. Is the grantee current on quarterly reports? Grantees must be current before proceeding with the request. _____
2. Is the sf270 signed by an authorized Certifying Official? _____
3. Do the figures for the columns and rows total correctly per the instructions of the form? _____
4. Does the federal share previously requested total match DRA's to date disbursement figure? _____
5. Does the reimbursement request match the scope of work and the budget as an allowable charge? _____
6. Is the DRA Worksheet for Reimbursement Request completed and the columns/rows totaled correctly? _____
7. Is the request documented with bill(s) to be paid? _____
8. If request for advance, is a budget for the advance period (maximum three (3) months per Form 270) included for allowable charges? _____
9. If request for advance, has documentation been provided that the previous advance was spent according to the advance budget for allowable charges?

Reviewer: When all questions are answered in the affirmative, sign, date, and attach this checklist to the request package. By: _____ Date: _____

Supervisor Review: By: _____ Date: _____

Request for Reimbursement/Advance Log

Date Rec'd	Grantee	DRA #	Amount of Request	Date Recommend	Holding for: Include Date & Contact of request, Date Received

DRA site visit compliance review – sign-in sheet**Grantee:** _____ **Project #** _____

Name	Representing	Date	Time



DRA Site visit Compliance Review

Interview project area/grantee office officials to obtain background information and understanding of how the grantee operates.

- Determine if the project area/grantee office is meeting the standards for receiving DRA funds.

Grantee:

Project Number:

Persons interviewed:

Does the grantee have a separate bank account for DRA funds (advances only)? Policies and Procedures Manual, p. 60, Section 21: Payment, (h) Cash depositories (2) A grantee or subgrantee shall maintain a separate bank account.

Is the grantee required to obtain an audit in accordance with the Single Audit Act of 1984? See 71 USC, 7502(a)(1)(A) and 7502(a)(1)(B) to determine if it is required. If required, has the grantee obtained the audits?

Policies and Procedures Manual, p. 66, Section 26: Non-Federal Audit, (a) Basic Rule. Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act of 1984 (71 U.S.C. 7501-7) and the administering agencies implementing regulations. The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.

71 U.S.C. §7501. Definitions

As used in this chapter, the term –

(1) "Comptroller General" means the Comptroller General of the United States

§7502. Audit requirements; exemptions

(a)(1)(A) Each non-Federal entity that expends a total amount of Federal awards equal to or in excess of \$300,000 or such other amount specified by the Director under subsection (a)(3) in any fiscal year of such non-Federal entity shall have either a single



audit or a program-specific audit made for such fiscal year in accordance with the requirements of this chapter.

(B) Each such non-Federal entity that expends Federal awards under more than one Federal program shall undergo a single audit in accordance with the requirements of subsection (b) through (i) of this section and guidance issued by the Director under section 7505.

(b)(1) Except as provided in paragraphs (2) and (3), audits conducted pursuant to this chapter shall be conducted annually.

(2) A State or local government that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under provisions of this paragraph shall cover both years within the biennial period.

(3) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

(c) Each audit conducted pursuant to subsection (a) shall be conducted by an independent auditor in accordance with generally accepted government auditing standards, except that, for the purposes of this chapter, performance audits shall not be required except as authorized by the Director.

(d) Each single audit conducted pursuant to subsection (a) for any fiscal year shall –

Has the grantee made any changes to the scope or objectives of the project? If yes, did they request/receive prior approval from DRA?

Policies and Procedures Manual, p. 68, Section 30: Changes, (d) Programmatic Changes. Grantees or subgrantees must obtain the prior approval of DRA agency whenever any of the following actions is anticipated: (1) Any revision to the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval).

Has the grantee needed to extend the availability of funds? If yes, did they request/receive prior approval from DRA? Policies and Procedures Manual, p. 68, Section 30: Changes, (d) Programmatic Changes. Grantees or subgrantees must obtain the prior approval of DRA agency whenever any of the following actions is anticipated: (2) Need to extend the period of availability of funds.

Has the grantee had any changes in key personnel? If yes, did they request/receive prior approval from DRA? Policies and Procedures Manual, p. 68, Section 30: Changes, (d) Programmatic Changes. Grantees or subgrantees must obtain the prior approval of DRA agency whenever any of the following actions is anticipated: (3) Changes in key personnel in cases where specified in an application or a grant award. In research projects, a change in the project director or principal investigator shall always require approval unless waived by the awarding agency.

Does the grantee have property records that contain all required information? Policies and Procedures Manual, p. 70, Section 32: Equipment, (c) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place, will, as a minimum, meet the following requirements: (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Has the grantee conducted a physical inventory in the past two years? If yes, were the results reconciled with the property records? Policies and Procedures Manual, p. 70, Section 32: Equipment, (c) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place, will, as a minimum, meet the following requirements: (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Does the grantee have a control system in place to prevent loss, damage or theft of property? Policies and Procedures Manual, p. 70, Section 32: Equipment, (c) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place, will, as a minimum, meet the following requirements: (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

Has the grantee developed adequate maintenance procedures to keep the property in good condition? Policies and Procedures Manual, p. 70, Section 32: Equipment, (c) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place, will, as a minimum, meet the following requirements: (4) Adequate maintenance procedures must be developed to keep the property in good condition.

Does the grantee have written selection procedures for procurement transactions? Policies and Procedures Manual, p. 75, Section 36: Procurement, (b) Competition, (3) Grantees will have written selection procedures for procurement transactions.

Has a site visit ever been conducted by DRA?

If not, why not?

If yes, were any issues/concerns found during the site visit?

If yes, list issues/concerns and steps taken to address/correct the issues/concerns.

Has DRA done any follow up?

If not, why not?

Policies and Procedures Manual, p. 83, Section 40: Monitoring and reporting program performance. (e) Federal agencies may make site visits as warranted by program needs.

7CFR.3015.94, The awarding agency shall make site visits as frequently as practicable to: (a) Review program accomplishments and manage control systems, and (b) Provide such technical assistance as may be required.

Reporting requirements

Quarterly report

When were grantee quarterly reports due?

Have they all been turned in?

If not, why not?

Policies and Procedures Manual, p. 83, Section 40:

Monitoring and reporting program performance. (b)

Nonconstruction performance reports. (1) Grantees shall submit quarterly reports 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support.

When were grantee quarterly reports due?

Have they all been turned in?

If not, why not?

Policies and Procedures Manual, p. 83, Section 40:

Monitoring and reporting program performance. (c)

Construction performance reports. For the most part, on-site technical inspections and certified percentage of completion data are relied on heavily by Federal agencies to monitor progress under construction grants and subgrants. DRA will require additional formal performance reports only when considered necessary, and never more frequently than quarterly. (note: DRA requires quarterly performance reports from all grantees.)

Has the grantee had any significant developments that should have been reported to DRA?

If yes, were the significant developments reported?

If the significant developments were not reported, why not?

Policies and Procedures Manual, p. 83, Section 40:
Monitoring and reporting program performance. (d)
Significant developments. Events may occur between the scheduled performance reporting dates which have a significant impact upon the grant or subgrant supported activity. In such cases, the grantee must inform DRA as soon as the following types of conditions become known: (1) Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.

Has the grantee had any favorable developments that should have been reported to DRA?

If yes, were the favorable developments reported?

If the favorable developments were not reported, why not?

Policies and Procedures Manual, p. 83, Section 40:
Monitoring and reporting program performance. (d)
Significant developments. Events may occur between the scheduled performance reporting dates which have a significant impact upon the grant or subgrant supported activity. In such cases, the grantee must inform DRA as soon as the following types of conditions become known: (2) Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more beneficial results than originally planned.

Financial status reporting

When were grantee financial status reports due?

Have they all been turned in?

If not, why not?

Policies and Procedures Manual, p. 83, Section 41:
Financial Reporting, (b) Financial status Report. (3)
Frequency. This report will be required quarterly. A
Final report will be required upon expiration or
termination of grant support.

When were grantee financial status reports due?

Have they all been turned in?

If not, why not?

Policies and Procedures Manual, p. 83, Section 41:
Financial Reporting, (b) Financial status Report. (4) Due
Date. Reports will be due 30 days after the reporting
period. Final reports will be due 90 days after the
expiration or termination of grant support.

Auditor Comments/ Other Issues/ Items for follow-up, and date for follow-up.

**Delta Regional Authority
PROJECT SITE VISIT**

Date: _____

Grantee: _____

Project Title: _____

Location: _____

Output/Outcome: (Form should be revised according to project.)

Has setup of Location been completed? _____

If not, why? _____

Project/location scheduled opening or beginning date: _____

DRA funded equipment (Name, Serial #, and office ID #, if any): Please list on back of page if needed.

Summary of Project in present location: _____

Job(s) or Business(s) created & title or business name: _____

Name of New Employee(s) & Title & Contact # :

or

Name of Business Owner(s) & Contact #:

My documents/Site visit general form/9-3-03/dw

If no jobs are created per the application. why? _____

Timeline to fill positions: _____

Training/current construction /: On schedule? _____ If not, why? _____

Plans to meet delayed deadlines: _____

Timeline: _____

Any un-foreseen problems? If so, what? _____

Solution(s) _____

Is Project on schedule? _____

If not, why? _____

Solution(s): _____

Timeline: _____

Site Coordinator:

Name: _____ Date: _____

Title: _____

DRA Reviewer: _____ Date: _____

My documents/Site visit general form/9-3-03/dw

DRA site visit compliance review – follow-up items

Grantee: _____ **Project #** _____

The following items are needed for compliance of this grant project.

1.

2.

3.

4.

Grantee will supply the above referenced compliance items to DRA by: _____
Date

Grantee authorized representative:

DRA authorized representative

Print name below line & sign on line.



Weekly Grant Activity Log

Project Coordinators are required to maintain a weekly activity log. Activity completed during the week should be entered into the log. Enter grantee name, DRA project number and the activity completed or report received.

- Activities: Grant funds disbursed
Quarterly report received and reviewed
Final report received and reviewed
Final Performance from final report as to Families Assisted, Jobs Created, Jobs Retained, People Trained
Grantee contact change or telephone number change
Administering agency contact change.
- Every Friday turn in the weekly activity log to the Director of Federal Programs to update the compliance spreadsheets for the applicable fiscal grant year.



[illegible]



DELTA REGIONAL AUTHORITY

236 SHARKEY AVENUE / SUITE 400 / CLARKSDALE, MS 38514 / (662) 624-8600 / FAX: (662) 624-8537 / www.dra.gov

[Date]

[Grantee Contact]

[Address]

[Address]

RE: [Grantee and Project Number]

Dear [Contact]:

Part of your compliance in regard to your grant from Delta Regional Authority is to submit a signed Quarterly Performance Report and Financial Status Report 15 days following each calendar quarter. This report is due even if there is no activity on the project and must be complete as to status in each section of information requested. The Quarterly Report and Financial Status Report due [date], [for calendar quarter] is now past due {plus additional quarterly reposts} and you are in non-compliance per the Grant Agreement. See the attached due and received log.

Please submit a complete signed report for all delinquent reports to Delta Regional Authority immediately.

Thank you for your prompt attention to this matter.

Sincerely,

[Name]

[Title]

cc: [Project Administrator]

[State Alternate]

[Copy to File]



DELTA REGIONAL AUTHORITY
236 SHARKEY AVENUE/ SUITE 400/ CLARKSDALE, MS 38614 / (662) 624-8600 / FAX: (662)
624-8537

[Date]

[Grantee Contact]
[Address]

Re: [Grantee and Project Number]

Dear Grantee:

As you know from the previous correspondence of ____ [add date from first demand letter], part of your compliance in regard to your grant from Delta Regional Authority is to submit a signed Quarterly Performance Report and Financial Status Report 15 days following each calendar quarter. This report is due even if there is no activity on the project and must be complete as to status in each section of information requested. The Quarterly Performance Report and Financial Status Report remain past due. The Grantee, therefore, continues to be in non-compliance per the Grant Agreement and no further federal funds will be disbursed until the Grantee is in compliance. This grant will be considered suspended if these Reports are not received by the 15th of this month. As such, please complete and execute all delinquent Reports to Delta Regional Authority immediately.

Thank you for your prompt attention to this matter.

Sincerely,

[Name]
[Title]

cc: [Project Administrator]
[State Alternate]
[Copy to File]

DELTA REGIONAL AUTHORITY
236 SHARKEY AVENUE/ SUITE 400/ CLARKSDALE, MS 38614 / (662) 624-8600 / FAX: (662)
624-8537

[Date]

[Grantee Contact]
[Address]
[Address]

Re: [Grantee and Project Number]

Dear Grantee:

As you know, letters dated ____ and ____ [get dates from demand letters] were forwarded to you advising you that the Grantee is in non-compliance per the Grant Agreement for failing to submit a signed Quarterly Performance Report and Financial Status Report 15 days following the last quarter. As this grant remains in non-compliance for failure to submit a signed Quarterly Performance Report and Financial Status Report, this grant is hereby terminated and all Delta Regional Authority Funds must be returned immediately. Please contact me to coordinate the same or we will be forced to turn this matter over to our General Counsel to proceed with obtaining these funds through collection.

I look forward to hearing from you immediately.

Sincerely,

[Name]
[Title]

cc: [Project Administrator]
[State Alternate]
[Copy to File]